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Status Report to the Fiscal Management and
Control Board

**Massachusetts Bay
Transportation Authority**

Year ended June 30, 2015

January 2016

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KPMG Audit Objectives

Audit Objectives

- Conduct an independent audit of the MBTA's financial statements in accordance with auditing standards generally accepted in the United States of America
- Provide the Fiscal Management and Control Board (the Board) an opinion as to whether the MBTA's financial statements as of and for the year ended June 30, 2015 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles
- Provide the Board with additional information regarding our audit and the MBTA's accounting and financial reporting processes as required under Statement of Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*
- Provide independent reports for the following:
 - MBTA's financial statements
 - MBTA's compliance with Federal funding requirements (OMB Circular A-133)
 - MBTA's National Transportation Database (NTD) filing

Status of Audit

Status of Audit Reports, Audit Work and Open Items

- Management is responsible for the preparation and accuracy of the financial statements
 - All reports are in draft form
 - Financial statements and footnotes are substantially complete
 - Report on Federal funding (OMB Circular A-133) is complete
 - Report on NTD filing is substantially complete

- Our responsibility is to express an opinion on the financial statements and compliance with Federal grant programs
 - Substantially all work needed to support KPMG opinion/report on the above reports is complete

- Remaining work to be performed as of January 2016 relates to:
 - Pension accounting and disclosure resulting from the adoption of new accounting standards for June 30, 2015.
 - MBTA Retirement Fund
 - MBTA Deferred Compensation Plan

Status of Audit

Internal Control Environment

- To date, internal control findings related to the MBTA financial statements include:
 - A material weakness regarding the administration of the various MBTA pension plans

- To date, internal control findings related to the MBTA Federal grant programs include:
 - Two significant deficiencies related to the personnel, payroll and timekeeping systems
 - One significant deficiency related to the data supporting an annual report
 - One significant deficiency related to missing information from certain contractors

Auditor Required Communications with the Fiscal Management and Control Board

Topic	Response
Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i>	Audit designed to: <ul style="list-style-type: none"> ■ Obtain reasonable assurance that the financial statements are free of material misstatement ■ Determine that the MBTA complied with laws and regulations with respect to expenditures of federal funds
Significant accounting policies	<ul style="list-style-type: none"> ■ Significant accounting policies are included in Note 2 to the Financial Statements
Management judgments and accounting estimates	<ul style="list-style-type: none"> ■ Accounting estimates are an integral part of the financial statements ■ To extent available, as of January 2016, we have evaluated the key factors and assumptions used to develop management's estimates (such as OPEB, workers' compensation, pension liabilities, etc.) and found them to be reasonable in relation to the financial statements taken as whole
Significant audit adjustments and unadjusted audit differences affecting the financial reporting process	<ul style="list-style-type: none"> ■ There were no significant audit adjustments or unadjusted audit differences

Auditor Required Communications with A the Fiscal Management and Control Board (continued)

Topic	Response
Other information in documents containing audited financial statements	None
Disagreements with management	None
Consultation with other accountants	None discussed with KPMG
Difficulties encountered in performing the audits	Completion of financial statement audit has been delayed due to difficulties encountered during the audit of the MBTA's pension related amounts
Representation Letter	Can be provided after completion of the audit



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