



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

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, 2011

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

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, 2011

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit I

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on 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 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, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs (Exhibit IV). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs 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 of the Authority's compliance with those requirements.

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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control over Compliance

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



Exhibit I

to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the Authority's 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. A significant deficiency in internal control over compliance is a deficiency or 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.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated November 2, 2011. 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 within the Authority, 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

November 21, 2011

(except for the schedule of expenditures of federal awards, which is as of November 2, 2011)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Exhibit II

Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Grant number	Federal catalog number	Program description	Cumulative to June 30, 2010	Expenditures, net of transfers July 1, 2010 – June 30, 2011	Cumulative to June 30, 2011
U.S. Department of Justice:					
Federal Equitable Sharing Program:					
MA-03-2500 (ED)	16.XXX	Federal Equity Sharing Program	\$ 2,335,634	304,332	2,639,966
		Total U. S. Dept. of Justice	2,335,634	304,332	2,639,966
U.S. Department of Transportation:					
Highway Planning and Construction Program					
MA-70-X001	20.205	Winthrop Ferry Demo Proj.	—	70,496	70,496
Federal Transit – Capital Investment Grants Program:					
MA-03-0223	20.500	North Shore Transportation Study	3,915,586	—	3,915,586
MA-03-0227	20.500	Blue Line Modernization	137,827,063	5,007,605	142,834,668
MA-03-0228	20.500	FY99 FTA Infrastructure Grant	168,878,914	6,964,551	175,843,465
MA-03-0238	20.500	Green Line Station Access	21,654,728	304,902	21,959,630
MA-03-0254	20.500	Beverly/Salem Parking	998,006	77,300	1,075,306
MA-03-0280	20.500	FY 04 Bridge Program	7,433,478	66,548	7,500,026
MA-03-0281	20.500	Auburndale Access Improvements	76,931	—	76,931
MA-03-0290	20.500	Wonderland Station Area Impv.	2,380,723	48,724	2,429,447
MA-04-0019	20.500	Hingham Intermodal & Harbor Park	2,970,664	255,139	3,225,803
MA-04-0025	20.500	Quincy High Speed Catamaran	71,613	4,241	75,854
MA-04-0026	20.500	Ferry System Improvements	353,824	434,795	788,619
MA-04-0030	20.500	Rockport CR Station Improvements	258,387	5,281	263,668
MA-04-0032	20.500	Wonderland Station Area Improvements	—	1,099,797	1,099,797
MA-04-0033	20.500	Beverly Depot Intermodal Facility	2,717,226	753,435	3,470,661
MA-04-0036	20.500	Ferry Parking Expansion – Quincy	734,812	575,678	1,310,490
MA-04-0044	20.500	Melrose CR Station Improvements	—	612,620	612,620
MA-05-0102	20.500	Blue Line Modernization	59,801,510	6,468,138	66,269,648
MA-05-0103	20.500	FY07 Station Management Proj.	29,546,011	1,844,246	31,390,257
MA-05-0105	20.500	FY07 Comm. Rail Vehicle Service	32,425,133	12,394,427	44,819,560
MA-05-0106	20.500	FY07 Coach Reliability & Safety Prog.	35,643,469	3,754,387	39,397,856
MA-05-0107	20.500	FY07 Bridge & Tunnel Prog.	8,802,215	642,726	9,444,941
MA-05-0109	20.500	Green Line #7 Car	2,464,183	39,886	2,504,069
MA-05-0110	20.500	Lawrence Intermodal Station	4,545,280	—	4,545,280
MA-05-0111	20.500	Columbia Junction	3,888,818	1,073,602	4,962,420
MA-05-0113	20.500	Red Line #2 Sel Sys O/H	6,444,347	671,861	7,116,208
MA-05-0114	20.500	Power Improvements	700,189	719,985	1,420,174
MA-05-0115	20.500	FY 10 Red Line # 2 Car Overhaul	—	17,767,090	17,767,090
MA-05-0119	20.500	FY10 Loco & Coach Procurement	—	2,859,984	2,859,984
MA-05-0121	20.500	MBTA Power Program	—	464,637	464,637
MA-56-0001	20.500	CR Stations, Dudley Square (ARRA)	6,886,563	14,268,302	21,154,865
		Total #20.500 Direct Program	541,419,673	79,179,887	620,599,560
Federal Transit – Alternative Analysis Program:					
MA-39-0001	20.522	MBTA On Board Surveys	949,192	83,261	1,032,453
		Total # 20.522	949,192	83,261	1,032,453
Federal Transit Metropolitan Planning Grants Program:					
Passed through the Metropolitan Area Planning Council:					
MA-80-2020	20.505	FY10 Unified Planning Work Program	104,764	12,688	117,452
		Total # 20.505	104,764	12,688	117,452
Federal Transit Formula Grants Program:					
MA-90-0305	20.507	Green Line Station Access	111,407,933	4,393,388	115,801,321
MA-90-0330	20.507	FTA Section 5307 Enhancements	5,516,700	287,047	5,803,747
MA-90-0331	20.507	FY99 Sec 5307 Infrastructure	225,689,890	1,026,583	226,716,473
MA-90-0377	20.507	Green Line Grade Crossing	984,264	78,438	1,062,702
MA-90-0417	20.507	New Blue Line Cars	83,955,588	964,436	84,920,024
MA-90-0456	20.507	Public Address/Electronic Sign	4,389,885	72,605	4,462,490
MA-90-0497	20.507	Escalator/Elevator Improvements	26,159,958	(3,082,061)	23,077,897
MA-90-0513	20.507	310 ECD Bus Procurement	109,477,104	89,181	109,566,285
MA-90-0515	20.507	New Blue Line Cars	28,030,795	3,509,798	31,540,593
MA-90-0516	20.507	Public Address/Electronic Sign	18,368,538	891,808	19,260,346
MA-90-0517	20.507	Light Rail accessibility	6,067,805	2,046,519	8,114,324
MA-90-0518	20.507	Blue Line Signal Project	24,373,880	1,786,739	26,160,619
MA-90-0519	20.507	Automated Fare Collection	23,900,802	8,291	23,909,093
MA-90-0521	20.507	FY 07 Station Security	9,212,922	38,295	9,251,217
MA-90-0522	20.507	FY 07 Ashmont Station	36,694,422	2,168,238	38,862,660
MA-90-0523	20.507	FY 07 Charles/MGH Design	586,386	121,483	707,869
MA-90-0524	20.507	STP Preventative Maintenance	538,545	270,020	808,565
MA-90-0526	20.507	Wellington Bus Maint. Facility	1,605,997	29,811	1,635,808
MA-90-0548	20.507	Park Street Stairs	2,680,998	208,113	2,889,111
MA-90-0549	20.507	Everett Maintenance Facility	5,831,440	710,500	6,541,940
MA-90-0550	20.507	Bicycle Enhancements	214,591	2,436	217,027
MA-90-0566	20.507	ECD/CNG Bus Rebuild	—	20,078,034	20,078,034
MA-90-0568	20.507	175 Buses/Fairmount Line (GANS)	21,167,853	1,112,541	22,280,394
MA-90-X575	20.507	Preventative Maintenance	10,000,000	2,500,000	12,500,000
MA-90-0576	20.507	Orange Line Journal Bearing Replacement	—	335,647	335,647
MA-90-X577	20.507	175 Buses/Fairmount Line (GANS)	—	20,985,863	20,985,863
MA-90-0584	20.507	FY 10 Disaster Recovery/Increased Storage	—	1,577,597	1,577,597
MA-90-0590	20.507	IT System/NR Vehicle GL PTC	—	3,768,683	3,768,683
MA-90-0599	20.507	FY 2011 Preventative Maintenance	—	12,500,000	12,500,000
MA-40-X003	20.507	SSTC Protects Program/Chemical Detection	920,436	(4,885)	915,551
MA-66-X013	20.507	13 Key Bus Routes Improvements (ARRA)	—	686,830	686,830
MA-66-X014	20.507	Wonderland Garage – (ARRA)	—	11,212,923	11,212,923
MA-66-X015	20.507	Wedgemere Access/Red Line Slab – (ARRA)	—	565,941	565,941
MA-96-0001	20.507	Back Bay Vent/RIDE Vans (ARRA)	9,751,763	5,342,338	15,094,101
MA-96-0014	20.507	Bus Fac/Fitchburg Dbl. Trk. (ARRA)	29,403,869	26,798,081	56,201,950
MA-96-0016	20.507	Oper Assist/Yard/Station Impvs.(ARRA)	18,150,147	14,627,093	32,777,240
		Total # 20.507	815,082,511	137,708,354	952,790,865

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Exhibit II

Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Grant number	Federal catalog number	Program description	Cumulative to June 30, 2010	Expenditures, net of transfers July 1, 2010 – June 30, 2011	Cumulative to June 30, 2011
Federal Transit – Transportation Investment Generating Economic Recovery Program (TIGER):					
MA-78-0001	20.932	Wonderland Plaza TIGER (ARRA)	\$ —	1,012,961	1,012,961
MA-78-0002	20.932	Fitchburg Wachusett Ext. TIGER (ARRA)	—	367,829	367,829
Federal Railroad Administration: Passed through the Commonwealth of Massachusetts:					
S10004	20.932	New Bedford 3 Bridges – TIGER (ARRA)	—	10,233,504	10,233,504
S10007	20.932	Knowledge Corridor – HSIPR – (ARRA)	—	602,915	602,915
		Total 20.932	—	12,217,209	12,217,209
		Total U. S. Dept. of Transportation	<u>1,357,556,140</u>	<u>229,271,895</u>	<u>1,586,828,035</u>
Environmental Protection Agency: Surveys, Studies, Investigations and Special Purpose Activities Relating to Clean Air Act Passed through the Commonwealth of Massachusetts (MassDEP):					
2D-96101401 (90-EPA2) (ARRA)	66.040	Clean Diesel Grant (ARRA)	—	1,087,108	1,087,108
		Total 66.040	—	1,087,108	1,087,108
Department of Homeland Security: Urban Areas Security Initiatives: HSTS02-06-H-MLS110 (J10002)					
	97.072	TSA Natl. Explosives Canine Prog.	208,861	286,030	494,891
Passed through the Commonwealth of Massachusetts:					
J06001	97.075	FY 2006 Transit Security	5,964,212	4,705,280	10,669,492
J07001	97.075	FY 2007 Transit Security	4,982,334	2,718,089	7,700,423
J08001	97.075	FY 2008 Transit Security	142,937	470,521	613,458
		Subtotal 97.075	11,089,483	7,893,890	18,983,373
Direct Award: 2009RAT9K013					
	97.075	FY 2009 Transit Security (J09001)	—	1,903,850	1,903,850
		Total #97.075	11,089,483	9,797,740	20,887,223
Public Assistance Grants Program: Passed through the Commonwealth of Massachusetts Massachusetts Emergency Management Agency					
	97.036	Rainstorm spring 2010	—	1,064,151	1,064,151
		Total #97.036	—	1,064,151	1,064,151
		Total of U. S. Dept. of Homeland Security	<u>11,298,344</u>	<u>11,147,921</u>	<u>22,446,265</u>
		Grand Total	\$ <u>1,371,190,118</u>	<u>241,811,256</u>	<u>1,613,001,374</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(1) Entity

The Massachusetts Bay Transportation Authority (the Authority) is a component unit of 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 for the year ended June 30, 2011 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 from the Federal Railroad Administration (FRA) which was passed through the Commonwealth of Massachusetts Department of Transportation (MassDOT). These were 100% ARRA Transportation Investment Generating Economic Recovery (TIGER) and High Speed Intercity Passenger Rail Program (HSIPR) funds for the reconstruction of certain railroad bridges and right of ways.

The U.S. Environmental Protection Agency, passed through the Commonwealth of Massachusetts Department of Environmental Protection, also provided ARRA funding for the acquisition of clean burning head end power (HEP) units on the Authority's locomotive fleet.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

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 *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU).

The Authority also received major 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. This grant provides 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

The Authority provided approximately \$13.4 million in federal awards mostly to the City of Revere, Massachusetts.

The subrecipient payments are included in the Federal Transit – Capital Investment Grants Program, CFDA #20.500 expenditures.



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Exhibit III

**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), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 2, 2011. 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

Management of the Authority is responsible for establishing and maintaining effective 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 Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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



Exhibit III

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 the Authority in a separate letter dated November 2, 2011.

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

November 2, 2011

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

Schedule of Findings and Questioned Costs
Year ended June 30, 2011

(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)?	_____	yes	<u> x </u> none reported
Noncompliance material to the 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 weaknesses?	<u> x </u>	yes	_____ 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
Federal Railroad Administration – Transportation Investment Generating Economic Recovery (TIGER)	20.932
Environmental Protection Agency – Clean Diesel Grant	66.040

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000		
Auditee qualified as low-risk auditee?	<u> x </u>	yes	_____ no

(2) **Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

None.

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

Schedule of Findings and Questioned Costs
 Year ended June 30, 2011

(3) Findings and Questioned Costs Relating to Federal Awards

Finding Number: Finding 2011-1
Federal Program: CFDA #20.507 Federal Transit Formula Grants
Federal Agency: U.S. Department of Transportation
Grant Award and Year: MA-66-0014 Wonderland Garage/Blue Line Lobby 2010
Finding: Subrecipient monitoring – insufficient award identification to subrecipients

Criteria:

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§__.225, §__.310(d)(5), §__.400(d)), A-102 Common Rule (§__.37 and §__.40(a)), and OMB Circular A-110 (2 CFR section 215.51(a)), program legislation, Section 1512(h) of ARRA, 2 CFR section 176.50(c), 2 CFR parts 25 and 170, and 48 CFR parts 4, 42, and 52 Federal awarding agency regulations, and the terms and conditions of the award

Per the Office of Management and Budget Circular A-133 Compliance Supplement, a pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., Catalog of Federal Domestic Assistance (CFDA) title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.

Condition:

For the Federal Transit Cluster, we reviewed one subrecipient agreement out of five subrecipients which accounted for 83% of the dollars passed through to subrecipients. For the agreement reviewed, the Massachusetts Bay Transportation Authority did not inform the subrecipient of the CFDA title and number, award name and number, and the requirement to identify ARRA funds separately in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.

Cause:

The cause of the condition was due to an administrative oversight.

Effect:

Subrecipients may not be aware that they are receiving federal dollars, nor be aware of the federal program from which they should comply.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

None

Recommendation:

We recommend the Authority institute a process to appropriately communicate to all subrecipients the CFDA title and number, award name and number, and the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.

Auditee Corrective Action Plan:

The Authority's Capital Budget Office will prepare a notification to key Authority departments upon execution of any federal grant that provides funding to a subrecipient. This notification will include a checklist of required elements for subsequent preparation of the annual Schedule of Expenditures for Federal Awards (SEFA) that will be incorporated into the formal contractual agreement. This checklist will include:

- grant number
- award name
- Catalog of Federal Domestic Assistance (CFDA) title and number
- Identification if funding is from the American Recovery and Reinvestment Act (ARRA). If ARRA, the agreement must advise the subrecipient to identify ARRA funds separately on the SEFA and the SF-SAC.

Responsible Person:

Victor Rivas, Deputy Director of Capital Budget

Implementation Date:

November 1, 2011