



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

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, 2009

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

(A Component Unit of the Commonwealth of Massachusetts)

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
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Year ended June 30, 2009

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**Exhibit I**

**Auditors' Report on Compliance with Requirements Applicable to  
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 compliance of the Massachusetts Bay Transportation Authority (the Authority), a component unit of the Commonwealth of Massachusetts, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs (Exhibit IV). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. 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 current year findings and questioned costs as item 2009-1.

**Internal Control over Compliance**

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over



## Exhibit I

compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 it.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009. Our report refers to the Authority's adoption, in fiscal 2009, of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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, 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**

October 26, 2009

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grant number	Federal catalog number	Program description	Cumulative to June 30, 2008	Expenditures, net of transfers July 1, 2008 – June 30, 2009	Cumulative to June 30, 2009
		U.S. Department of Justice:			
		Federal Equitable Sharing Program:			
MA-03-2500	16.XXX	Federal Equity Sharing Program	\$ 2,149,612	101,456	2,251,068
		Total U. S. Dept. of Justice	2,149,612	101,456	2,251,068
		U.S. Department of Transportation:			
		Federal Transit – Capital Investment Grants Program (note 3):			
MA-03-0223	20.500	North Shore Transportation Study	3,741,308	155,820	3,897,128
MA-03-0227	20.500	Blue Line Modernization	121,618,541	6,420,975	128,039,516
MA-03-0228	20.500	FY99 FTA Infrastructure Grant	161,202,103	3,134,560	164,336,663
MA-03-0238	20.500	Green Line Station Access	19,615,380	1,689,796	21,305,176
MA-03-0251	20.500	Procure/Overhaul Blue Line Cars	69,980,553	(49,698)	69,930,855
MA-03-0254	20.500	Beverly/Salem Parking	582,752	146,008	728,760
MA-03-0258	20.500	Station Management Program (AFC)	120,373,873	17,818	120,391,691
MA-03-0274	20.500	Silverline Phase III	11,056,109	24,839	11,080,948
MA-03-0279	20.500	Lawrence Intermodal Station	4,004,488	—	4,004,488
MA-03-0280	20.500	FY 04 Bridge Program	7,094,349	225,194	7,319,543
MA-03-0281	20.500	Auburndale Access Improvements	76,931	—	76,931
MA-03-0290	20.500	Wonderland Station Area Impv.	800,531	182,611	983,142
MA-03-0291	20.500	Fitchburg Line Improvements	—	2,460,411	2,460,411
MA-04-0019	20.500	Hingham Intermodal & Harbor Park	374,790	1,098,310	1,473,100
MA-04-0025	20.500	Quincy High Speed Catamaran	—	16,431	16,431
MA-04-0030	20.500	Rockport CR STAT Improvements	—	3,412	3,412
MA-05-0102	20.500	Blue Line Modernization	10,752,389	31,127,127	41,879,516
MA-05-0103	20.500	FY07 Station Management Proj.	26,405,037	2,296,890	28,701,927
MA-05-0104	20.500	FY07 Charles/MGH	4,693,916	165,276	4,859,192
MA-05-0105	20.500	FY07 Comm. Rail Vehicle Service	576,435	19,879,275	20,455,710
MA-05-0106	20.500	FY07 Coach Reliability & Safety Prog.	26,532,862	4,368,222	30,901,084
MA-05-0107	20.500	FY07 Bridge & Tunnel Prog.	5,965,680	2,388,883	8,354,563
MA-05-0109	20.500	Green Line #7 Car	—	2,048,484	2,048,484
MA-05-0110	20.500	Lawrence Intermodal Station	—	4,544,942	4,544,942
MA-05-0111	20.500	Columbia Junction	—	2,157,741	2,157,741
MA-05-0113	20.500	Red Line #2 Sel Sys O/H	—	5,798,652	5,798,652
		Subtotal #20.500 Direct Program	595,448,027	90,301,979	685,750,006
		Passed through the Rhode Island Department of Transportation:			
		Federal Transit – Capital Investment Grants Program:			
RI-03-0024	20.500	Pawtucket Layover Facility	20,481,638	15,677	20,497,315
RI-03-0032	20.500	RIDOT/ 5 CR Coaches	11,510,000	—	11,510,000
		Subtotal # 20.500 pass-through	31,991,638	15,677	32,007,315
		Total #20.500	627,439,665	90,317,656	717,757,321
MA-39-0001	20.522	MBTA On Board Surveys	64,182	447,037	511,219
		Total # 20.522	64,182	447,037	511,219
		Federal Transit Metropolitan Planning Grants Program:			
		Passed through the Metropolitan Area Planning Council:			
MA-80-2017	20.505	2006 Unified Planning Work Program	189,984	294	190,278
MA-80-2018	20.505	2007 Unified Planning Work Program	90,644	73,261	163,905
MA-80-2019	20.505	2008 Unified Planning Work Program	11,196	139,891	151,087
		Total # 20.505	291,824	213,446	505,270
		Federal Transit Formula Grants Program (note 3):			
MA-90-0305	20.507	Green Line Station Access	85,582,438	14,721,636	100,304,074
MA-90-0330	20.507	FTA Section 5307 Enhancements	5,144,012	(201)	5,143,811
MA-90-0331	20.507	FY99 Sec 5307 Infrastructure	219,088,504	4,301,924	223,390,428
MA-90-0367	20.507	Charles/MGH Access ADA	36,128,852	(26,337)	36,102,515
MA-90-0377	20.507	Green Line Grade Crossing	984,264	—	984,264
MA-90-0393	20.507	South Boston Piers Transit/Form	183,355,351	4,162,176	187,517,527
MA-90-0417	20.507	New Blue Line Cars	26,445,429	53,582,995	80,028,424
MA-90-0448	20.507	Arborway Bus Facility	1,379,303	371,960	1,751,263
MA-90-0456	20.507	Public Address/Electronic Sign	2,667,323	1,064,663	3,731,986
MA-90-0489	20.507	FY 06 Green Line Accessibility	—	1,648,867	1,648,867
MA-90-0496	20.507	FY 07 Preventative Maintenance	22,500,000	—	22,500,000
MA-90-0497	20.507	Escalator/Elevator Improvements	5,770,947	9,840,390	15,611,337
MA-90-0513	20.507	310 ECD Bus Procurement	75,455,471	30,172,645	105,628,116
MA-90-0514	20.507	175 Buses/Fairmount Line (GANS)	13,093,364	27,496,686	40,590,050
MA-90-0515	20.507	New Blue Line Cars	33,889	16,253,049	16,286,938
MA-90-0516	20.507	Public Address/Electronic Sign	7,226,173	5,723,322	12,949,495
MA-90-0517	20.507	Light Rail accessibility	706,498	2,539,466	3,245,964
MA-90-0518	20.507	Blue Line Signal Project	13,522,427	7,492,190	21,014,617
MA-90-0519	20.507	Automated Fare Collection	23,131,036	686,886	23,817,922
MA-90-0521	20.507	FY 07 Station Security	7,462,617	1,609,956	9,072,573
MA-90-0522	20.507	FY 07 Ashmont Station	7,089,446	18,263,303	25,352,749
MA-90-0523	20.507	FY 07 Charles/MGH Design	586,386	—	586,386
MA-90-0524	20.507	STP Preventative Maintenance	12,931	410,414	423,345
MA-90-0525	20.507	128 Business Council CMAQ	144,940	—	144,940
MA-90-0526	20.507	Wellington Bus Maint. Facility	1,552,813	53,184	1,605,997
MA-90-0548	20.507	Park Street Stairs	—	1,553,057	1,553,057

## MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grant number	Federal catalog number	Program description	Cumulative to June 30, 2008	Expenditures, net of transfers July 1, 2008 – June 30, 2009	Cumulative to June 30, 2009
MA-90-0549	20.507	Everett Maintenance Facility	\$ —	4,884,316	4,884,316
MA-90-0550	20.507	Bicycle Enhancements	—	207,078	207,078
MA-90-0551	20.507	Switcher Locomotive-5307 Funds	—	745,820	745,820
MA-90-0563	20.507	Preventative Maintenance	—	10,000,000	10,000,000
MA-95-0006	20.507	Switcher Locomotive CMAQ Funds	—	1,911,780	1,911,780
MA-40-7001	20.507	Passenger Security Virtual Reality	99,938	—	99,938
MA-40-X003	20.507	SSTC Protects Program/Chemical Detection	855,036	—	855,036
	20.507	Total # 20.507	740,019,388	219,671,225	959,690,613
		Transit Planning and Research Program:			
MA-26-7057	20.514	Grade Crossing Safety Program	308,474	12,513	320,987
MA-26-7064	20.514	Gloucester ITS Center	3,374,995	—	3,374,995
		Total #20.514	3,683,469	12,513	3,695,982
		Total U.S. Dept. of Transportation	1,371,498,528	310,661,877	1,682,160,405
		U.S. Department of Health and Human Services:			
		Social Services Block Grant Program:			
		Passed through the Commonwealth of Massachusetts:			
	93.667	Social Services Block Grant	269,538	40,631	310,169
		Total #93.667	269,538	40,631	310,169
		U.S. Department of Homeland Security:			
		National Explosives Detection Canine Team Program:			
HSTS02-06-H-MLS110	97.072	TSA Natl. Explosives Canine Program	166,695	28,653	195,348
		Total #97.072	166,695	28,653	195,348
		Rail and Transit Security Grant Program:			
		Passed through the Commonwealth of Massachusetts:			
		Executive Office of Public Safety:			
J05001	97.075	FY 2005 Transit Security	6,955,962	3,325,454	10,281,416
J05002	97.075	Radio Interoperability	—	500,000	500,000
J06001	97.075	FY 2006 Transit Security	—	554,602	554,602
J07001	97.075	FY 2007 Transit Security	—	2,362,444	2,362,444
		Total #97.075	6,955,962	6,742,500	13,698,462
		Total of U. S. Dept. of Homeland Security	7,122,657	6,771,153	13,893,810
		Grand total	\$ 1,381,040,335	317,575,117	1,698,615,452

See accompanying notes to schedule of expenditures of federal awards.

## MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

**(1) Entity**

The Massachusetts Bay Transportation Authority (the Authority) is a component unit 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 and the Highway Planning and Construction Program 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, 2009 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.

According to the terms of the FTA contracts, the Authority will be reimbursed from 50% 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).

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.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

**(4) Subrecipients**

The Authority provided approximately \$1 million in federal awards mostly to the Town of Hingham and City of Revere.

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





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**Exhibit III**

**Auditors' 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 Commonwealth of Massachusetts, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009. Our report refers to the adoption, in fiscal 2009, of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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**

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 Entity'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.



## Exhibit III

### 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 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 October 26, 2009.

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

October 26, 2009

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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: Unqualified

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 program or cluster	CFDA number
Federal Transit Cluster:	
Federal Transit – Capital Investment Grants Program	20.500
Federal Transit – Formula Grants Program	20.507

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

Auditee qualified as low-risk auditee?   x   yes \_\_\_\_\_ no

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2009

**Finding Number:** 2009-1

**Federal Program(s):** Federal Transit Cluster:  
 CFDA #20.500, Federal Transit Capital Investment Grants  
 CFDA #20.507, Federal Transit Formula Grants

**Federal Agency:** U.S. Department of Transportation

**Finding:** Variances were identified on the 2009 DBE report filed when compared to the supporting detail.

**Requirement:** Disadvantaged Business Enterprise Reporting

**Criteria:**

A Disadvantaged Business Enterprise (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:**

The report filed for the period ending March 31, 2009 was recently revised and resubmitted because it was noted that the supporting detail relating to materials contracts was not consistent with the amounts reported. It was noted that the subcontracts committed/awarded during the period were overstated by \$60,671. Additionally, there is not a review of the data performed by someone other than the preparer.

**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 the supporting data.

**Authority Corrective Action Plan:**

The Authority acknowledges that inconsistencies were identified between the data reported and the supporting documentation which required the March 31, 2009 DBE report to be revised and resubmitted. To ensure that the semi-annual DBE reports are accurate and agree to supporting data, future reports will be reviewed by management prior to submittal to FTA, as recommended by the auditors.

**Responsible Person:**

Kenrick W. Clifton, Assistant Director for Government Compliance

**Implementation Date:** October 1, 2009.