



U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

**Quality Control Review on a Single Audit
of the Massachusetts Bay Transportation
Authority, Boston, MA**

Report No. QC2019083

September 24, 2019



Quality Control Review on a Single Audit of the Massachusetts Bay Transportation Authority, Boston, MA

Self-Initiated

Federal Transit Administration, Federal Highway Administration, Office of the Secretary of Transportation | QC2019083 | September 24, 2019

What We Looked At

We performed a quality control review (QCR) on the single audit that KPMG LLP performed for the Massachusetts Bay Transportation Authority's (MBTA) fiscal year that ended June 30, 2018. During this period, MBTA expended approximately \$353 million from the U.S. Department of Transportation's (DOT) grant programs. KPMG determined that DOT's major programs were the Federal Transit Cluster, the Highway Planning and Construction Cluster, and the Transportation Investment Generating Economic Recovery grants program.

Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs; and (2) whether MBTA's reporting package complied with the reporting requirements of the Uniform Guidance.

What We Found

KPMG's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found nothing to indicate that KPMG's opinion on each of DOT's major programs was inappropriate or unreliable. We did not identify any deficiencies in MBTA's reporting package that required correction and resubmission.

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Memorandum

Date: September 24, 2019

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the Massachusetts Bay Transportation Authority, Boston, MA | Report No. QC2019083



From: George E. Banks, IV
Program Director

To: Regional Administrator, Federal Transit Administration, Region 1
Division Administrator, Federal Highway Administration, MA Division Office
Under Secretary of Transportation for Policy

The U.S. Department of Transportation (DOT) is the cognizant¹ Federal single audit² Agency for the Massachusetts Bay Transportation Authority (MBTA). KPMG LLP performed the single audit for MBTA's fiscal year that ended June 30, 2018.³ During this period, MBTA expended approximately \$353 million from DOT grant programs. KPMG determined that DOT's major programs were the Federal Transit Cluster, the Highway Planning and Construction Cluster, and the Transportation Investment Generating Economic Recovery grants program.

KPMG rendered an unmodified opinion on MBTA's financial statements and compliance with DOT major program requirements and did not question any costs, but made recommendations⁴ to strengthen MBTA's controls to ensure compliance with Federal requirements.⁵ We performed a quality control review

¹ A cognizant agency for audit is the Federal agency that provides the predominant amount of direct funding to a non-Federal entity that expends over \$50 million in Federal funding.

² A single audit, as required by the Single Audit Act of 1984, as amended, combines a financial statement audit with other required audit coverage. Under the act, a single audit is required when a non-Federal entity expends more than \$750,000 of Federal funds during a fiscal year.

³ Copies of single audit reports prepared pursuant to the Office of Management and Budget's Uniform Guidance are available for download at <https://harvester.census.gov/facweb/>.

⁴ We advised FTA and OST of these recommendations in a separate memorandum.

⁵ Under Title 2 of the Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the auditor is required to render an opinion on the entity's financial statements, identify inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

(QCR) on KPMG's audit work as it pertains to DOT's major programs included in the single audit and on MBTA's reporting package.⁶

We appreciate the courtesies and cooperation of KPMG representatives during this review. If you have any questions concerning this report, please call me at (202) 420-1116, or John R. Sysak, DOT's National Single Audit Coordinator, at (443) 602-4147.

cc: The Secretary
DOT Appointee for Single Audits
DOT Single Audit Liaison
Audit Liaison, Federal Highway Administration, HCFB-32
Audit Liaison, Federal Transit Administration, TSO-30
Audit Liaison, OST, M-1
Partner, KPMG LLP
Controller, MBTA

⁶ The reporting package that the grantee submits to the Federal Audit Clearinghouse includes the financial statements, the schedule of expenditures of Federal awards, the schedule of prior audit findings if applicable, and the auditor's report(s) on (a) the financial statements; (b) internal control over financial reporting and compliance and other matters; and (c) compliance for each major program. A data collection form provides information about the auditee, its Federal programs, and audit results.

QCR Objectives

Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs; and (2) whether MBTA's reporting package complied with the reporting requirements of the Uniform Guidance.

QCR Results

Our QCR entailed reviews of KPMG's audit work and MBTA's reporting package.

Review of Audit Work

KPMG complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs, and we found nothing to indicate that KPMG's opinion on each of DOT's major programs was inappropriate or unreliable. Accordingly, we assigned KPMG an overall rating of **pass**.⁷

Review of Reporting Package

We did not identify any deficiencies in MBTA's reporting package submitted to the Federal Audit Clearinghouse.

⁷ The Council of Inspectors General on Integrity and Efficiency's Guide for QCRs of single audits provides a methodology for rating auditors' work with three possible ratings—pass, pass with deficiencies, and fail.

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OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

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