



Smart decisions. Lasting value.™

FY2023 Audit Results

Massachusetts Bay
Transportation Authority

April 11, 2024



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 94 – PPP's and APA's
- GASB 96 – Subscription Based Information Technology Arrangements

Audit Approach and Plan



Year-end fieldwork: September thru November

- Management interviews
- Planning and Risk Assessment
- Internal controls
- Audit procedures on year-end balances and fiscal year activity
- Single audit testing



Reporting: December

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

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)
Financial Statements and Required Supplementary Information
June 30, 2023
(With Independent Auditors' Report Thereon)

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"> • Implementation of GASB 96
Management’s Judgments and Accounting Estimates	<ul style="list-style-type: none"> • Fair value of investments • Estimated useful lives of capital assets • Loss contingencies • Actuarial assumptions used in net pension and OPEB liability calculations • Self-insurance claims • Change in estimated – Calculation of accrued interest related to leases
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">• Corrected misstatement to record the accrual of approximately \$44.1 million of state grant receivable and revenue that was earned in fiscal year 2023 but not received until fiscal year 2024. An adjustment was also made to increase construction work in progress and accounts payable by the same amount since the costs were capital in nature.• Corrected misstatement to correct the balances of deferred inflows and outflows for the MBTA Retirement Fund and MBTA Police Association Retirement Plan. The adjustment increased deferred outflows by approximately \$191.4 million and decreased deferred outflows by approximately \$102.6 million. As a result, pension expense decreased by approximately \$294.0 million.• Corrected misstatement to reclassify net position balances between categories. As a result of the audit adjustment, net investment in capital assets increased by approximately \$131.9 million, and restricted and unrestricted net position decreased by approximately \$9.4 million and \$122.5 million, respectively. There was no net impact to the change in net position for fiscal year 2023.

Required Communications

Topic	Comment
Uncorrected Misstatements	<ul style="list-style-type: none"><li data-bbox="1133 446 2425 801">• A known prior period adjustment was waived to record the accrual of approximately \$79.1 million of federal grant revenue and approximately \$44.4 million of state grant revenue that was earned in fiscal year 2022 but not received until fiscal year 2023. Instead, these amounts have been recorded in fiscal year 2023. As a result of waiving this adjustment, the fiscal year 2023 beginning net position is understated by approximately \$123.5 million and fiscal year 2023 revenue is overstated by the same amount.<li data-bbox="1133 829 2425 1046">• A known adjustment was waived to record the accrual of approximately \$69.3 million of federal grant revenue that was earned in fiscal year 2023 but not received until fiscal year 2024. As a result of waiving his adjustment, the fiscal year 2023 grants receivable and revenue are understated by approximately \$69.3 million.<li data-bbox="1133 1075 2425 1325">• A known adjustment was waived to record a direct financing lease related to a parking garage under GASB Statement No. 87. The adjustment would have increased capital assets by approximately \$64.4 million, decreased noncurrent assets by approximately \$30.1 million, increased deferred inflows by approximately \$33.6 million, and increased the change in net position by approximately \$0.6 million.

Required Communications

Topic	Comment
Significant Deficiencies and Material Weaknesses	<p>Material Weakness - During our testing of the SEFA, we identified approximately \$103.6 million of Federal expenditures from the Federal Transit Cluster that were not included in the schedule. Management had not established a proper system of internal control to prevent, or detect and correct, errors on the SEFA.</p> <p>Significant Deficiency - During our testing of the Federal and state capital grants and contributions, it was determined that management was recording revenue upon receipt of the funds rather than during the period in which the funds were earned.</p> <p>Significant Deficiency - During our testing of the net pension liability, it was determined that the deferred inflows and outflows recorded in the general ledger did not agree to the actuarial valuation report for the MBTA Retirement Fund and Police Association Retirement Plan.</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	<p>The Single Audit report will need to be restated and reissued due to the Schedule of Expenditures of Federal Awards (SEFA) missing the Federal loan proceeds from the Railroad Rehabilitation and Improvement Financing (RRIF) loan. The new report is expected to be issued in May.</p>

Emerging Issues



- Implementation 6/30/2024
 - GASB 99, Omnibus 2022 (Financial guarantees and derivatives)
 - GASB 100, Accounting Changes and Error Corrections
- Implementation 6/30/2025
 - GASB 101, Compensated Absences



Thank you

Brad Schelle

Partner

Brad.Schelle@crowe.com

"Crowe" is the brand name under which the member firms of Crowe Global operate and provide professional services, and those firms together form the Crowe Global network of independent audit, tax, and consulting firms. Crowe may be used to refer to individual firms, to several such firms, or to all firms within the Crowe Global network. The Crowe Horwath Global Risk Consulting entities, Crowe Healthcare Risk Consulting LLC, and our affiliate in Grand Cayman are subsidiaries of Crowe LLP. Crowe LLP is an Indiana limited liability partnership and the U.S. member firm of Crowe Global. Services to clients are provided by the individual member firms of Crowe Global, but Crowe Global itself is a Swiss entity that does not provide services to clients. Each member firm is a separate legal entity responsible only for its own acts and omissions and not those of any other Crowe Global network firm or other party. Visit www.crowe.com/disclosure for more information about Crowe LLP, its subsidiaries, and Crowe Global.

The information in this document is not – and is not intended to be – audit, tax, accounting, advisory, risk, performance, consulting, business, financial, investment, legal, or other professional advice. Some firm services may not be available to attest clients. The information is general in nature, based on existing authorities, and is subject to change. The information is not a substitute for professional advice or services, and you should consult a qualified professional adviser before taking any action based on the information. Crowe is not responsible for any loss incurred by any person who relies on the information discussed in this document. © 2020 Crowe LLP.