Audit of Cape Ann Transit Authority (CATA)

MassDOT Audit Operations

July 15, 2026

To:	Finance and Audit Committee
From:	James Logan, Director of Audit Operations
Date:	July 15, 2026
RE:	Audit of Cape Ann Transit Authority (CATA)

Executive Summary

MassDOT Audit Operations completed an internal controls audit of Cape Ann Regional Transit Authority ("CATA"). The period under review is FY2024, covering dates between July 1, 2023 and June 30, 2024.

The primary scope and objectives of this audit were focused on reviewing RTACAP expenditures, vendor invoices, vehicle titles, asset security, contract tracking, standard operating procedures and internal controls documents, and IT disaster recovery.

During the audit, opportunities for improvement were identified as detailed below, however the CATA Administrator has made several improvements to strengthen CATA's internal controls, policies, and procedures.

Audit Operations identified two findings during the duration of this audit. Of these findings, audit both rated minor.

CC:

Philip Eng, Interim Secretary and CEO, MassDOT
Jonathan Gulliver, Undersecretary and Highway Administrator, MassDOT
Meghan Haggerty, Chief Operating Officer, MassDOT
Felicia Webb, CATA Administrator
Meredith Slesinger, Rail & Transit Administrator, MassDOT
Tom Schiavone, Deputy Administrator of Transit, MassDOT
Trevor Bayard-Murray, Manager of Compliance Oversight, MassDOT
Jeannette Orsino, Executive Director, Massachusetts Association of Regional Transit Authorities (MARTA)
Emily Pedersen, Director of Internal Special Audit Unit - MassDOT, OIG
Ashley Amado - Deputy Director, Internal Special Audit Unit - MassDOT, OIG

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I. Introduction

Cape Ann Regional Transit Authority (CATA) was created pursuant to Massachusetts General Laws, Chapter 161B.

The Cape Ann Regional Transit Authority (CATA) is one of Massachusetts' 15 regional transit authorities (RTA's) that was created in September 1974 and now provides public transportation to 66 cities and towns. This includes Gloucester, Rockport, Ipswich, Essex, Hamilton, and Manchester-by-the-Sea. It is CATA's mission to provide public transportation to residents and visitors of member communities in a safe and courteous manner that exceeds the customer's expectations for quality, reliability, and service in a comfortable and respectful environment. CATA is committed to providing the absolute highest standard of public transportation to customers. To support its operation and infrastructure, CATA relies heavily on capital funding from both federal and state sources, including the Federal Transit Administration (FTA) and the Massachusetts Department of Transportation (MassDOT). With this funding comes a critical responsibility for CATA and its contractors to comply with applicable federal and state regulations. During this audit, Audit Operations will only be focused on the state funding sources and state regulations.

CATA relies on both federal (FTA) and state (MassDOT) grant funding to make most of their capital purchases. This funding comes with the responsibility of CATA and their contractors to abide by federal and state regulations.

II. Background

CATA is managed by an administrator who serves as the CEO and who is appointed by and serves at the pleasure of a eight-member Advisory Board. The Board is composed of six elected officials from each community: the Mayor of Gloucester, and the Town Administrators, managers, or selectmen appointees of Essex, Rockport, Ipswich, Hamilton, and Manchester-by-the-Sea, or their designated staff. These colleagues work with the ACLU of Massachusetts to select one member to represent the labor vote. These colleagues also work to select a voting member of the disabled community. The voting members representing the disabled community population and labor are appointed by the appointing authority of the community for a term of one year on a rotating basis from one of the six member communities. The Board approves the sale of real estate, lease of property, changes in fares or substantial changes in service, the annual budget, and the appointment of the Administrator.

CATA's fixed-route service operates weekdays from 5:45 a.m. to 7:00 p.m., Saturdays from 8:25 a.m. to 7:00 p.m., and Sundays during the summer from 10:25 a.m. to 7:00 p..m. ADA complementary paratransit services are available within three-quarters of a mile of the fixed routes and operate during the same days and hours as the fixed-route service. CATA has services that are seasonal, operating during peak summer periods only. These services include a Cruise Ship Trolley route, the Ipswich-Essex Explorer route, the Stage Fort Park Shuttle, and the Rockport Shuttle. CATA operates a demand-response service for senior citizens aged 60 and over and people with disabilities in Gloucester, Rockport, Ipswich, Essex, Hamilton, and Manchester-by-the-Sea. This service operates on weekdays only between 8:00 a.m. and 4:00 p.m. It is available to people who do not qualify for ADA complementary paratransit service.

CATA also provides transportation to the closest dialysis clinic for residents of all CATA communities; a commuter bus service between Rockport, Gloucester, and Beverly Commuter Rail Stations; and an app-based service, CATA On Demand, designed to provide additional mobility between the Gloucester Commuter Rail Stations and major employers in the city.

CATA Is not currently charging fare on fixed route, ADA paratransit, and senior dial-a-ride services. CATA On Demand fare Is $2.00 one-way with a reduced fare offered for seniors and persons with disabilities.

CATA's fixed-route fleet consists of fourteen 29- and 35-foot buses, all of which are low floor as of summer 2025. CATA has 16 cutaway buses and vans for paratransit service along with 3 electric minibuses. CATA also has two 35-foot low-floor trolleys for use on the summer services. CATA operates from a single maintenance and administration facility located at 3 Pond Road in Gloucester.

III. Scope and Objectives

AO completed an internal controls audit, focused on assessing the design and effectiveness of the following:

- RTACAP expenditures are related to projects listed on the RTACAP approved project list and stay within the approved project budgets and verify the existence of the FY2024 project assets. RTACAP is state funding for all RTAs given to MassDOT from the state legislature, to be passed through to the individual RTAs.
- Invoices are reviewed and authorized by appropriate personnel prior to payment and support CATA's operations. Payments are posted to CATA's Open Government portal. For CATA invoice testing refers to the testing methodology in appendix #1.
- Determine whether CATA maintains adequate documentation to verify ownership, stewardship, and the physical existence of state-funded vehicles.
- Assess whether appropriate physical security measures are in place for assets owned or leased by CATA.
- Evaluate whether CATA effectively tracks contracts and funding received from MassDOT and, if applicable, accurately reports federally funded contracts and amounts in its CPA Single Audit Report in accordance with 2 CFR 200 Subpart F – Audit Requirements.
- Assess whether CATA maintains comprehensive, up-to-date standard operating procedures and internal control documentation for its various operational functions.

- Assess whether CATA has a sufficient and up-to-date disaster recovery plan in place and whether it is tested on a regular basis.

Finding Title	Ranking	Page
Schedule of Expenditures of Federal Awards (SEFA)	Minor	8
Non-compliance with Open Checkbook/ Government Posting Policy	Minor	10

1. Schedule of Expenditures of Federal Awards (SEFA) – Minor

CATA's FY24 SEFA did not include a federally funded MassDOT contract which had expenditures disbursed to CATA in FY2024. This was also an issue with another RTA using the same CPA firm as CATA. (Hague, Shady, and Co.)

In accordance with 2 CFR 200.510(b) Schedule of expenditures of Federal awards: The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended.

CATA may want to consider reissuing their SEFA.

Risk

The omission of a federally funded MassDOT contract from CATA's FY2024 Schedule of Expenditures of Federal Awards (SEFA) results in the SEFA not being complete or accurate in accordance with 2 CFR 200.510(b). As a result, federal expenditures for FY2024 may be understated.

This misstatement increases the risk that:

- Major program determination is incorrect,
- Required federal programs are not properly audited,
- Audit conclusions based on the SEFA are unreliable, and
- CATA is not in compliance with Uniform Guidance reporting requirements.

Additionally, the omission could lead to audit findings, questioned costs, or potential scrutiny from federal and pass-through agencies.

Recommendation

In the future, CATA, their accounting consultant and CPA should ensure that the SEFA includes all the Federal Awards which had expenditures disbursed during the appropriate fiscal year.

Management Response

CATA acknowledges that the FY24 SEFA failed to include a federally funded MassDOT contract with expenditures to CATA in FY24. CATA will closely review future SEFAs to ensure all appropriate contracts and federal awards are included.

Responsible Parties: Felicia Webb

Management Implementation Date: March 01, 2026

2. Non-compliance with Open Checkbook/ Government Posting Policy – Minor

Section 14C of Chapter 7 of the Massachusetts General Laws ("MGL") requires agencies, including quasi-public independent entities, such as CATA, to report their "appropriations, expenditures, grants, subgrants, loans, purchase orders, infrastructure assistance and other forms of financial assistance" to the Secretary of the Executive Office of Administration and Finance ("EOAF") for inclusion on the Office of the State Comptroller's searchable website. Section 14C(e) states, "all agencies shall provide to the secretary all data that is required to be included in the searchable website not later than 30 days after the data becomes available to the agency."

In 2018 the Office of the State Auditor ("OSA") audited all 15 RTAs. Of the 15 RTAs, 14 were cited for being in non-compliance with Section 14C of Chapter 7 of the MGL. This statute was originally signed and executed with executive branch agencies. The RTAs had discussions with the EOAF on how to apply the Open Checkbook/Government law as the RTAs are not part of the executive branch. Each RTA worked with the OSA independently and each was charged with creating their own Open Checkbook/Government posting policy and adhering to that policy. Each RTA's policy must meet the requirements of MGL Chapter 7, Section 14C.

During fieldwork, Audit Operations discovered that CATA is not updating their Open Checkbook/Government website within the required 30 days in accordance with Section 14C, Chapter 7. RTD should also be periodically checking all RTAs Open

Checkbook/Government to confirm they are following the required policy.

Risk

Non-compliance with Open Checkbook/Government posting policies can result in:

- An Influx of public record requests
- Regulatory fines
- Erosion of public trust
- Litigation

Recommendation

Audit Operations recommends that CATA management consider the following:

- Work with the EOAF and the OSA to develop an Open Checkbook/Government posting policy that meets the requirements of MGL Chapter 7, Section 14C.

- Work with the Office of the Comptroller to link CATA's current Open Checkbook/Government website to CTHRU.

-Establish monitoring controls to ensure that CATA staff responsible for this task adhere to these policies and procedures.

Management Response

CATA has kept our Open Checkbook updated on a quarterly basis. Moving forward, CATA will work to update the Open

Checkbook within the 30-day provision as required.

Responsible Parties: Felicia Webb

Management Implementation Date: March 01, 2026

Appendix 1: Finding Description

Finding Level	Definition	Action Required
Critical	Critical issues occur where required controls and safeguards are deficient or non-existent to mitigate the highest risks and/or to ensure statutory compliance. It is very likely that the issue will pose a significant imminent threat to employee and public safety and/or lead to significant financial loss, legal penalties, and major operational disruptions.	Immediate corrective action is necessary. Management should prioritize addressing these findings to mitigate risks and prevent further issues.
Major	Major issues occur when there are controls are in place but may require some improvement or better execution to ensure full coverage of statutory requirements and/or to better mitigate significant risks. While not imminent or critical,	Management should develop and implement action plans promptly to address these findings and improve processes and controls.

	the issue could affect safety, compliance, financial accuracy, or operational efficiency. These could become critical if not addressed promptly.	
Minor	A minor issue that must be addressed in a timely manner. These findings do not pose immediate threats but may lead to minor risks, inefficiencies or process gaps where improvements can enhance efficiency and effectiveness.	Management should address these findings as part of ongoing improvements efforts.
Observation	An observation that does not pose an immediate risk but represent opportunities for improvement. These may include best practices, process optimizations, or areas for increased efficiency.	Management may consider these observations for continuous improvement, but they do not require immediate action.