Audit of Nantucket Regional Transit Authority (NRTA)

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 Nantucket Regional Transit Authority (NRTA)

Executive Summary

MassDOT Audit Operations completed an internal controls audit of Nantucket Regional Transit Authority ("NRTA"). 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 NRTA Administrator has made several improvements to strengthen NRTA's internal controls, policies, and procedures.

Audit Operations identified two findings and four observations during the duration of this audit. Of these findings, both are minor.

CC:

Philip Eng, Interim Secretary and CEO, MassDOT
Jonathan Gulliver, Undersecretary and Highway Administrator, MassDOT
Meghan Haggerty, Chief Operating Officer, MassDOT
Gary Roberts, Administrator, NRTA
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

Table of Contents

I. Introduction ... 5

II. Background ... 6

III. Scope and Objectives ... 9

IV. Findings ... 12

1. Opportunity to Establish Disaster Recovery Plan – Minor ... 13
2. Lack of a Written Credit Card Policy – Minor ... 16
3. Non-compliance with Open Checkbook/Government Posting Policy – Observation ... 18
4. Non-compliance with NRTA State Contract Assistance Contract – Observation ... 21
5. Inaccurate Fleet List – Observation ... 23
6. Outdated Accounting Procedures Manual – Observation ... 25

V. Appendix ... 27

Appendix 1: Finding Description ... 27

I. Introduction

Chapter 161B of the Massachusetts General Laws ("MGL") established regional transit authorities ("RTAs") to provide a public transportation system under the control of municipalities. Chapter 161B of the General Laws gives the Commonwealth certain oversight responsibilities, and it defines the process by which RTAs may be formed or expanded within the Commonwealth, as well as the duties, powers, and limitations of these RTAs.

This law also outlines the membership of RTA advisory boards and their authority to appoint administrators, approve budgets, and approve significant changes in service fares. Currently, there is a network of 15 RTAs (12 urban and 3 rural) operating in the Commonwealth, in addition to the transit services provided by the Massachusetts Bay Transportation Authority ("MBTA").

These RTAs serve a total of 262 cities, suburban municipalities, and rural communities outside the greater Boston area and provide transportation via buses and minibuses operated by private transit service companies. RTAs, which are locally controlled, manage their own operations but must hire private operating companies to provide their services in accordance with the General Laws of Massachusetts Chapter 161B ("MGL 161B").

Section 53 of MGL 6C makes the Rail and Transit Division ("RTD") of the Massachusetts Department of Transportation "responsible for overseeing, coordinating and planning all transit and rail matters throughout the commonwealth," including intercity buses, the MBTA, and RTAs. RTD carries out its responsibility of providing and managing financial assistance for RTAs through its Community Transit Program Unit, which oversees the federal, state, and local programs that financially support RTAs. The Audit Operations ("AO") team agreed to review the RTAs over a three-year rolling interval.

To support its operation and infrastructure, Nantucket Regional Transit Authority ("NRTA") 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 NRTA and its contractors to comply with applicable federal and state regulations.

The State Regulations applicable to the audit area include MGL 161B, as well as policies and procedures implemented by the NRTA.

II. Background

The Nantucket Regional Transit Authority ("NRTA") was established in 1995 and reports to RTD under Chapter 25 of the Acts of 2009, "An Act Modernizing the Transportation Systems of the Commonwealth." According to NRTA's website, its mission is as follows, "Nantucket Regional Transit Authority has established a standard of excellence that is only equaled [by] its commitment to provide safe, efficient, and widely accessible transportation service to meet the needs of the year-round community and the diverse summer population it serves." NRTA supports the Town of Nantucket, the sole member community and is governed by an advisory board composed of the chief elected officials from those communities.

An administrator is responsible for day-to-day administration of the agency, which had two full-time and ten part-time staff members during our audit period. NRTA's operations are overseen by the Nantucket Select Board. The advisory board is responsible for hiring an administrator, setting fares, establishing service levels, and authorizing real-estate purchases. NRTA contracts with Valley Transportation Services ("VTS") of Massachusetts, Inc. to provide fixed-route and demand-response transportation services, including maintenance and administrative functions.

NRTA operates local fixed-route and demand-response services within the 46-square-mile Nantucket area, serving a year-round population of more than 11,000 and a seasonal population of more than 60,000. It operates a network of up to ten local transit routes. NRTA operates an administrative office at 20-R S. Water Street, and a maintenance facility at 11 New

South Road, in Nantucket, MA. NRTA has a total of 33 revenue vehicles in its fleet.

During fiscal year 2024, NRTA initiated a free fare program, where it did not charge riders to ride buses. NTRA's objective for this program was to increase transit usage. The Commonwealth funded this program through the Try Transit 3.0 Grant (fare free grant), in the amount of $409,000.

Massachusetts' statewide transportation bond bill ("MassTRAC bond bill") is a legislative initiative that authorizes funding for transportation and environmental infrastructure projects across the state. This bill authorizes a significant amount of state funds to be used in conjunction with federal funding from the Bipartisan Infrastructure Law. In accordance with the 2024 Capital Investment Plan ("CIP"), Regional Transit Authority ("RTA") Capital needs are provided to MassDOT Rail & Transit on an annual basis and is funded by the statewide transportation bond bill. Capital budgets are determined by A&F and MassDOT Fiscal on an annual basis. The needs are submitted as part of a five-year RTA capital need request. The MassDOT Rail & Transit Division scores the annual capital funding priorities for each RTA, based on individual RTA needs and MassDOT capital priorities, and distributes RTACAP accordingly. The RTACAP budget is included in the annual Capital Investment Plan ("CIP") and approved by the MassDOT Board of Directors. In fiscal year 2024, NRTA was awarded

$1,020,000 in RTACAP which is earmarked for use with projects associated with the FY24 Approved Project List. NRTA also received two RTACAP fund increases of $1,409,000 and $4,435,000 for a total FY24 RTACAP of $6,864,000. The MassDOT Rail & Transit Division determines annual capital funding priorities for each RTA, based on individual RTA need and MassDOT capital priorities, and distributes RTACAP accordingly. MassDOT can only assist to a limited extent with funding for capital improvement projects.

State Contract Assistance ("SCA") is funding for RTA's operations. In fiscal year 2024, MassDOT disbursed $150,000,000 in SCA funding to the 15 RTAs. MassDOT provided NRTA a total of $2,728,095, which represents 1.82% of the total SCA.

The Federal Transit Administration ("FTA") requires all RTAs to report to it any information related to their transit vehicle inventories or maintenance and repairs that they conduct. This information is included in FTA's National Transit Database.

III. Scope and Objectives

AO is focused on the risks that would impact NRTA's state funding sources, capital and operating assets, and business practices.

Please note, the period under review is FY2024, covering July 1, 2023 to June 30, 2024. The audit started on April 25, 2025 and concluded on September 12, 2025.

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

- RTACAP expenditures - to assess whether expenditures are properly 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.
- Vendor invoices - to determine if invoices are reviewed and authorized by appropriate personnel prior to payment and support NRTA's operations. Payments are posted to NRTA's Open Government portal.
- Vehicle titles - to determine if NRTA maintains sufficient documentation to demonstrate ownership and stewardship of state-funded vehicles and verify the existence of NRTA vehicles.
- Asset security - to determine if there is sufficient physical security over NRTA owned or leased assets.
- Contract tracking - to determine if NRTA maintains sufficient tracking of contracts and funding received from MassDOT and if applicable, reports the federally funded contracts and amounts in their CPA Single Audit Report per 2 CFR 200 Subpart F - Audit Requirements. *Please note, NRTA did not exceed the $750,000 federal funding threshold in FY2024 that would require a single audit to be conducted.*
- Standard operating procedures and internal control documents - to determine if NRTA has sufficient and updated standard operating policies and procedures and internal controls documents for the various functions of their operation.

- IT disaster recovery - to assess whether NRTA has a sufficient and updated disaster recovery plan in place and whether it is tested on a continual basis.

Overall, internal controls are present and are functioning. However, some opportunities for improvement were identified as described in the Detailed Audit Findings and Observations on pages 13-26.

IV. Findings

Finding Title	Ranking	Page
Opportunity to Establish Disaster Recovery Plan	Minor	13
Lack of a Written Credit Card Policy	Minor	16
Non-compliance with Open Checkbook/Government Posting Policy	Observation	18
Non-compliance with NRTA State Contract Assistance Contract	Observation	21
Inaccurate Fleet List	Observation	23
Outdated Accounting Procedures Manual	Observation	25

1. Opportunity to Establish Disaster Recovery Plan – Minor

The Executive Office of Technology Services and Security ("EOTSS") documents Business Continuity and Disaster Recovery Standard IS.016 which applies to the use of information, information systems, assets, applications, and network resources used to conduct business on behalf of the Commonwealth. "Other Commonwealth entities that use or participate in services provided by the Executive Office of Technology Services and Security, (EOTSS), by any form of contractual arrangement, are required to comply with this document, as a condition of use."

As detailed in IS.016, disaster recovery plans must include step-by-step emergency procedures to be able to recover and restore impacted services and to return the functionality of the entity. Disaster recovery plans must include processes to restore the systems to their original state without disruptions to service and the restoration of all lost data. Impact assessments are necessary to determine how to bring the most important servers back first. Disaster recovery plans must be tested annually.

NRTA is a quasi-public agency that receives state funding from MassDOT. For the purposes of IS.016, NRTA is considered an "other Commonwealth entity". A significant portion of NRTA's funding comes from State Contract Assistance ("SCA"). SCA is distributed by MassDOT Rail & Transit Division among the RTAs using a long-standing allocation formula based on ridership. Per the SCA Bilateral Memorandum of Understanding ("MOU") Sections 1-5, NRTA is required to submit various types of data including ridership metrics, various customer service and satisfaction metrics, financial performance metrics, safety performance metrics, and annual performance metrics.

During fieldwork, Audit Operations discovered that NRTA does not have a written disaster recovery plan.

NRTA's IT systems and policies are controlled by the Town of Nantucket. The Town of Nantucket does not have a disaster recovery plan in place for any IT systems. The Town of Nantucket has a redundant back up system, however this is not the same as a disaster recovery plan.

MassDOT does not have jurisdiction to enforce RTA compliance with Business Continuity and Disaster Recovery Standard IS.016.

Risk

Lapse in IT functionality could impact NRTA’s ability to provide accurate ridership data and performance metrics outlined in the SCA MOU. In addition, by not consistently maintaining an effective disaster recovery plan, NRTA is exposed to operational risk in the event of a local or regional disaster that could compromise NRTA's service of customers and transportation operations.

A non-existent disaster recovery plan can result in:

- Loss of revenue due to inaccurate ridership data reporting as a result of downed systems;
- Irrecoverable data;
- Extended system downtime;
- Inability to track buses;

- Loss of transportation services for customers for an extended period;

Recommendation

Audit Operations recommends as a best business practice that NRTA management consider the following:

- Engage the Town of Nantucket with discussions to take the necessary steps to implement a disaster recovery plan to cover all NRTA IT systems.
- Implement a disaster recovery plan that complies with the parameters of IS.016 to cover all NRTA IT systems.
- Test the disaster recovery plan annually.

Management Response

NRTA has had more than a few conversations with the Town of Nantucket IT department concerning this and at this time it does not appear they are willing to do this. NRTA will be doing a renovation of the Greenhound Bus Station to relocate the Administrative offices to this location. The project is slated to start in May and continue through the summer. It appears that the only option at this time is to continue on the Town of Nantucket IT system during renovations and install an independent network in the new offices so NRTA has control of the system. NRTA can have this completed in the fall of 2026.

Responsible Parties: NRTA Administrator

Management Implementation Date: 11/02/2026

2. Lack of a Written Credit Card Policy – Minor

Having a written credit card policy is a best business practice regardless of specific regulations. A written credit card policy should outline spending limits, documentation requirements, authorized users and uses, and the consequences of misuse.

During fieldwork, Audit Operations discovered NRTA does not have a written credit card policy. NRTA has one credit card held by the NRTA Administrator who is the only authorized user. The credit card has a credit limit of $10,000. The NRTA CFO ensures payments have the required documentation for purchases and confirmation of payment prior to posting to the general ledger. Per the NRTA Administrator the credit card is used to purchase parts that cannot be purchased through a purchase order and parking during travel.

The NRTA Administrator stated there is an informal credit card policy as he is the only authorized user and the credit card is seldom used.

MassDOT has no jurisdiction to require RTAs to have a written credit card policy, however, it's important for NRTA to maintain strong internal controls to protect operational assets and funds.

Risk

A non-existent written credit card policy can result in:

- Fraud and misuse;
- Excessive spending and unauthorized purchases;
- Inaccurate expense reporting;

Recommendation

Audit Operations recommends as a best business practice that NRTA management consider the following:

- Implement a written credit card policy.
- An independent secondary review of all credit card charges on a quarterly basis.

Management Response

NRTA is working on a draft policy now and expects to have it completed in 30 days.

Responsible Parties: NRTA Administrator

Management Implementation Date: 05/29/2026

3. Non-compliance with Open Checkbook/Government Posting Policy – Observation

Section 14C of Chapter 7 of the Massachusetts General Laws ("MGL") requires agencies, including quasi-public independent entities, such as NRTA, 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 NRTA had not updated their Open Checkbook/Government website since December 30, 2021.

The NRTA Administrator stated that upon being hired in 2023 he was unaware of NRTA's Open Checkbook/Government posting policy. During this time NRTA's website was inoperable. The NRTA Administrator's primary focus at that time was securing funding and getting vehicles up and running. During the audit, NRTA staff gained access to their Open Checkbook/Government portal via the Pioneer Valley Transit Authority ("PVTA") who hosts the Open Checkbook/Government websites for several RTAs. Upon gaining access, the NRTA CFO added an Open Checkbook link to the NRTA website and began uploading the required data.

MassDOT does not have jurisdiction to enforce RTA compliance with Section 14C of Chapter 7 of the MGL.

Risk

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

- An influx of public records requests;
- Erosion of public trust;
- Litigation;

Recommendation

Audit Operations recommends as a best business practice that NRTA 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 NRTA's current Open Checkbook/Government website to CTHRU.
- Establish monitoring controls to ensure that NRTA staff responsible for this task adhere to these policies and procedures.

Management Response

NRTA has been in contact with PVTA to help with correcting the issues with Open Checkbook. NRTA now has everything corrected and uploaded through June 30, 2025. NRTA will have one more session of training in order to complete uploading and further missing data to current along with a written policy in 45 days to ensure that it is done in the proper timeframes moving forward.

Responsible Parties: NRTA Administrator

Management Implementation Date: 06/05/2026

4. Non-compliance with NRTA State Contract Assistance Contract – Observation

The State Contract Assistance ("SCA") Bilateral Memorandum of Understanding ("MOU") lists several items that NRTA is required to submit to the MassDOT Rail & Transit Division ("RTD") for review. One of these requirements is Item 13 Record-keeping: The RTA will maintain compliance with Open Checkbook requirements.

During fieldwork, Audit Operations discovered that NRTA had not updated their Open Checkbook/Government website since December 30, 2021. Audit Operations also confirmed that RTD does not periodically review the RTA's Open Checkbook websites to ensure the RTAs are in compliance with the Open Checkbook requirements prescribed in Item 13 Record-keeping per the SCA MOU.

MassDOT does not have jurisdiction to enforce RTA compliance with Open Checkbook laws.

Risk

Non-compliance with NRTA State Contract Assistance contract MOU can result in the erosion of public trust.

Recommendation

Audit Operations recommends as a best business practice that RTD management consider the following:

- Periodically review NRTA's Open Checkbook/Government website to ensure compliance with SCA MOU Item 13 Record-keeping.
- Establish monitoring controls to ensure that RTD staff responsible for this task adhere to these policies and procedures.

Or:

- Remove SCA MOU Item 13 Record-keeping from all RTA SCA MOUs.

Management Response

As the requirement of maintaining an updated Open Checkbook is not mandated by MassDOT, but rather another state agency, MassDOT does not have jurisdiction to enforce RTA Compliance with Open Checkbook laws. MassDOT and the RTAs agreed to include Section 13 of the RTA/MassDOT MOU more so as a reminder to RTAs that they have an Open Checkbook requirement.

The current MOU expires on 6/30/27. MassDOT will not include Section #13 in all future RTA/MassDOT MOU's.

Responsible Parties: Deputy Transit Administrator

Management Implementation Date: 06/30/2027

5. Inaccurate Fleet List – Observation

During fieldwork, Audit Operations verified the existence of 23 NRTA vehicles on site. Of the 23 vehicles, 4 vehicles had incorrect plates listed in the NRTA Fleet List. These 4 plates listed on the fleet list were associated with the wrong VINs. AO also noted that NRTA vehicle 2303 had an incorrect VIN when compared to ATLAS, 2 of the digits were incorrectly transposed.

NRTA confirmed all of these discrepancies were due to data entry errors.

Risk

An inaccurate Fleet List can result in:

- Inadequate inventory management;
- Insurance complications;
- Improper vehicle maintenance records;

Recommendation

Audit Operations recommends as a best business practice that NRTA management consider the following:

- Verify that all data in the Fleet List is accurate.
- Update the Fleet List when vehicles are purchased or disposed of.

Management Response

NRTA has worked with the maintenance manager to ensure the Fleet list is correct. NRTA will submit the corrected Fleet list if necessary and will have a written policy in place within 30 days to make sure all items are current and correct moving forward.

Responsible Parties: NRTA Maintenance Manager

Management Implementation Date: 05/29/2026

6. Outdated Accounting Procedures Manual – Observation

During fieldwork, Audit Operations observed that NRTA's Accounting Procedures Manual has not been updated since February of 2018. The manual contains outdated information which includes but is not limited to: organizational chart that lists former employees of NRTA, outdated exhibits, and outdated financial information.

NRTA did not have a full time CFO prior to 2025 as such, updating the Accounting Procedures Manual was not a priority.

MassDOT does not have jurisdiction to require the RTAs to update their internal accounting policies and procedures.

Risk

An outdated Accounting Procedures Manual can result in:

- Outdated accounting processes;
- Non-compliance with current accounting standards;
- Outdated training procedures;

Recommendation

Audit Operations recommends as a best business practice that NRTA management consider the following:

- The Accounting Procedures Manual is updated when significant changes are made.
- The Accounting Procedures Manual is reviewed at least every 5 years.

Management Response

NRTA has engaged a new accounting firm to oversee finances. It is NRTA's intent to use these resources to help develop a new Accounting Procedures Manual. This should be completed within 60 days.

Responsible Parties: NRTA CFO

Management Implementation Date: 06/30/2026

V. Appendix

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 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, the issue could affect safety, compliance, financial accuracy, or operational efficiency. These could become critical if not addressed promptly.	Management should develop and implement action plans promptly to address these findings and improve processes and controls.
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.