



Charles D. Baker, Governor
Karyn E. Polito, Lieutenant Governor
Stephanie Pollack, MassDOT Secretary & CEO



**MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
MEETING OF THE
STANDING COMMITTEE ON FINANCE AND AUDIT**

February 6, 2019
9:30 a.m.
MassDOT
10 Park Plaza
Transportation Board Room
Boston, MA 02116

PRESENT: Chair Betsy Taylor and Director Tim King

OTHERS PRESENT: David Pottier, Jim Logan, Owen Kane, Marie Breen, Matt Bamonte, Sue Bristol, Bob Taylor and Robert Mahoney from KPMG

Proceedings:

Chairperson Taylor called the meeting to order at 9:36 a.m. and opened with the public comment session (there were no speakers).

Next was the approval of the minutes of the October 10, 2018 meeting.

On motion duly made and seconded, it was:

VOTED: to approve the minutes of October 10, 2018.

Chair Taylor asked David Pottier, Chief Financial Officer to update the Committee on the MassDOT FY2019 Quarterly Budget, Agenda Item B. Mr.

Pottier began by discussing the non-toll and toll operating revenues and expenses.

He noted the non-toll operating revenues were trending on budget and projected to be at budget by year-end. Mr. Pottier attributed it to rental and lease income that was over budget due to timing of lease payment collections, snow and ice funding transfers were under budget as snow and ice had been minimal through the first two quarters, and RTA Contract Assistance funding was transferred 50% in July, 23% in November and the balance in February.

Non-toll expenses were trending below budget and projected to be within budget by year-end. Mr. Pottier noted that employee payroll, fringe and other benefits were under budget compared to FY18 due to shifting non-federal capital expenses to capital reporting and timing of outside section implementation in FY18. He said overtime was running high and was projected to come in over budget, and savings in salaries would cover the shortfall. Maintenance, supplies and equipment were trending under budget due to limited spending on snow and ice operations in Q1 and Q2, and office and administrative and professional services expenses were trending under budget due to the timing of billing for various services.

Mr. Pottier continued to discuss the toll operating revenue and expenditures. He noted the toll collections were trending over budget due to higher account receivable collected, increased transponder usage and high pay-by-plate revenue due to projected leakage. Toll operating expenditures were

trending under budget due to timing of staff hiring, bargaining unit increases and limited spending on maintenance, supplies and equipment due to limited snow and ice operations, as set forth in the attached document labeled, "MassDOT FY19 Q2 Year to Date Update, February 6, 2019." Discussion ensued.

Chair Taylor asked Mr. Pottier to continue with Agenda Item C, an update on MassDOT bond refunding. Mr. Pottier said the refunding was extremely successful thus far and was continuing to increase and leverage the amount of the swaps. He continued to discuss the highlights of the two complicated transactions, the 2010 Series A-3 through A-6 refunding and swap termination and the 2010 Series A-2 refunding and swap termination, as set forth in the attached document labeled, "MassDOT, MHS Revenue Refunding Bonds, Commonwealth Contract Assistance Secured \$371,380,000 Variable Rate 2019 Series A, \$51,230,000 2019 Series B-1, \$14,585,000 Series B-2, February 6, 2019." Chair Taylor and Director King thanked staff and the consultants for their good work and strong negotiating skills and noted this was a significant step in the right direction.

Next, Chair Taylor called upon Robert Mahoney from KPMG to discuss the FY18 audited financial statements. Mr. Mahoney said he would be providing the MassDOT Board of Directors with an opinion as to whether their financial statements as of June 30, 2018 were presented fairly in all material respects and would provide the Board with additional information regarding their audit and MassDOT's accounting and financial reported processes. Mr. Mahoney

presented an overview of the 2018 audit results and said no significant audit adjustments and unadjusted audit differences affecting the financial reporting process were noted, as set forth in the attached document labeled, “KPMG MassDOT, Report to the Finance and Audit Committee, February 6, 2019.” Discussion ensued.

Lastly, the Chair asked Jim Logan, Director of Audit Operations to present Agenda Item E, the audit of highway overtime. Mr. Logan said the internal audit of MassDOT Highway and snow and ice overtime was to help management identify control weaknesses, take corrective action where needed and to improve MassDOT’s administration of overtime. He noted the primary objectives of the audit was to determine whether the overtime process was valid, recorded, approved, accurate, compliant, controlled and efficient. He discussed the results and noted opportunities to improve the process of managing and controlling overtime costs, as set forth in the attached document labeled, “Internal Audit of MassDOT Highway and Snow & Ice Overtime, January 28, 2019.” Scott Wilson, Facility Engineer for the Highway Division contributed to the dialogue, and discussion ensued.

On motion duly made seconded, it was by roll call:

Chair Betsy Taylor	Yes
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Director Tim King	Yes
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VOTED: To enter into Executive Session for a discussion of strategy related to a security issue and audited financial statements at 10:24 a.m.

Documents relied upon for this meeting:

Minutes of October 10, 2018

MassDOT FY19 Q2 Year to Date Update, February 6, 2019

MassDOT, MHS Revenue Refunding Bonds, Commonwealth Contract Assistance Secured, \$371,380,000
Variable Rate 2019
Series A, \$51,230,000 2019 Series B-1, \$14,585,000 Series B-2, February 6, 2019

KPMG MassDOT, Report to the Finance and Audit Committee, February 6, 2019

Internal Audit of MassDOT Highway and Snow & Ice Overtime, January 28, 2019