



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued August 17, 2011

Franklin Regional Transit Authority

For the period July 1, 2009 through January 31, 2011



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The Franklin Regional Transit Authority (FRTA) is a not-for-profit entity established in 1978 under Chapter 161B of the Massachusetts General Laws as a body politic and a corporate political subdivision of the Commonwealth of Massachusetts. Its members consist of the 40 towns in Franklin, Hampshire, Hampden, and Worcester counties. The FRTA is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other entities, providing for construction, operation, and use by such other party of any mass transportation facility or equipment of the Authority.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of American Recovery and Reinvestment Act (ARRA) funds received and expended at the FRTA for the period July 1, 2009 through January 31, 2011. The objectives of our audit were to obtain and review a listing of the type and amount of all ARRA funds the FRTA has applied for, plans to receive, or has received and expended; evaluate the FRTA controls over ARRA expenditures and determine whether ARRA funds were expended for the intended purposes and in compliance with laws, rules, and regulations applicable to each program; determine whether FRTA complied with ARRA accounting and reporting requirements, as well as, other grant requirements; and, determine whether FRTA identified and reported on the number of jobs created/retained with ARRA funds.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review we have concluded that, for the period July 1, 2009 through January 31, 2011, FRTA maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

INTRODUCTION

Background

The Franklin Regional Transit Authority (FRTA) is a not-for-profit entity established in 1978 under Chapter 161B of the Massachusetts General Laws as a body politic and a corporate political subdivision of the Commonwealth of Massachusetts. Its members consist of the 40 towns in Franklin, Hampshire, Hampden, and Worcester counties. The FRTA is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other entities, providing for construction, operation, and use by such other party of any mass transportation facility or equipment of the Authority.

During our audit period, FRTA was awarded federal stimulus funds that totaled \$14,534,434 from the Federal Transit Administration (FTA) through the Massachusetts Department of Transportation (MassDOT) for four projects authorized under Code of Federal Domestic Assistance CFDA # 20.509 ARRA Recovery Nonurbanized Area Formula Program. As of January 31, 2011, FRTA had received ARRA funds totaling \$3,834,742 (26.4% of its total projects awards) and expended \$3,834,742 or 100% of the total federal stimulus funds allocated, as detailed in the following table:

<u>Program</u>	<u>Award Number</u>	<u>Award Amount</u>	<u>Funds Received</u>	<u>Funds Expended</u>
Construct Regional Transit Center	MA-06-X001	\$12,800,000	\$2,600,671	\$2,600,671
Bus Purchase and Fixed Route Fleet Expansion	MA-06-X002	260,967	-	-
Bus Purchases and Electronic Fare Box Program Expansion	MA-86-X001	1,212,500	1,209,328	1,209,328
Automatic Vehicle Location Equipment and Operating Costs	MA-86-X002	<u>260,967</u>	<u>24,743</u>	<u>24,743</u>
Totals		<u>\$14,534,434</u>	<u>\$3,834,742</u>	<u>\$3,834,742</u>

Funds under the Nonurbanized Area Formula Program may be used for eligible capital expenses, project administration, and operating expenses needed to provide efficient and coordinated public transportation service in nonurbanized areas. Projects must provide for the maximum feasible coordination of public transportation sources assisted under this section with transportation services assisted by other Federal sources, and must provide for the maximum feasible participation of

private operators. According to FRTA officials and our review of reports for the period ended December 31, 2010, the Authority has filed with the MassDOT and FTA for its stimulus grants, ARRA spending created or saved 7.88 full-time jobs.

Stimulus funds expended have been used by FRTA for the construction of a transit center, to purchase new buses, purchase of electronic fare boxes, purchase of Automatic Vehicle Locators (AVL) and surveillance equipment, and for operating costs as follows:

1. The Franklin Regional Transit Center (FRTC) will be constructed in downtown Greenfield. The FRTC will accommodate all of FRTA's fixed route bus lines, private intercity service, paratransit, taxi, and human service transportation in the region, as well as administrative offices for the FRTA and a regional planning agency serving Franklin County. The FRTC will be designed as a "green," high performance, zero net energy building.
2. The FRTA will purchase one 35-foot bus, with a useful life of ten years and/or 200,000 miles to be used for the expansion of the fixed-route fleet.
3. FRTA will purchase three 35-foot buses to replace three buses due to be replaced in the next fiscal year. In addition, FRTA will purchase 25 fare boxes and equipment necessary to operate and maintain a new vehicle fare collection system. FRTA expects to see an increase in fare box revenues since customers will have more ticket options to choose from with the new system and it will reduce the amount of time that is used to calculate fares collected, create ridership reports and assist FRTA in creating more accurate statistics.
4. FRTA will purchase Automatic Vehicle Locators and other equipment for its 25-bus fleet. In addition, FRTA will receive ARRA funds to assist with operations during fiscal years 2010 and 2011.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of American Recovery and Reinvestment Act (ARRA) funds received and expended at the FRTA for the period July 1, 2009 through January 31, 2011. The objectives of our audit were to obtain and review a listing of the type and amount of all ARRA funds the FRTA has applied for, plans to receive, or has received and expended; evaluate the FRTA controls over ARRA expenditures and determine whether ARRA funds were expended for the intended purposes and in compliance with laws, rules, and regulations applicable to each program; determine whether FRTA complied with ARRA accounting and reporting requirements, as well as, other grant requirements;

and, determine whether FRTA identified and reported on the number of jobs created/retained with ARRA funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To achieve our audit objectives, we reviewed the following:

- All federal stimulus funds applications and grants awarded to FRTA.
- Whether internal controls were developed to ensure that federal stimulus funds are safeguarded against loss, theft, and misuse.
- Recordkeeping procedures to verify that stimulus programs are properly authorized, supported by adequate documentation, and accounted for separately in FRTA's records.
- The receipt and expenditure of stimulus funds to determine whether they were reasonable and allowable under the terms of the grant award.
- The adequacy and timeliness of FRTA's federal stimulus reports to determine whether they were in compliance with reporting requirements.
- Reports on jobs created or sustained utilizing ARRA funds that were filed with FTA to ensure compliance with FTA reporting requirements.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review we have concluded that, for the period July 1, 2009 through January 31, 2011, FRTA maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.