



MassDOT

Discussion with those charged with governance

Audit results for the year ending June 30, 2023

May 15, 2024





Required communications to those charged with governance

Audit results required communications and other matters

| Matters to communicate | Response |
|---|--|
| Significant unusual transactions | X |
| Uncorrected audit misstatements | ✓ \$445 million out of period adjustment for capital assets \$55 million out of period adjustment for depreciation expense |
| Corrected audit misstatements | ✓ \$118 million understatement of toll accounts receivable \$37 million understatement of toll accounts receivable allowance for doubtful accounts |
| Financial statement presentation and disclosure omissions | X |
| Non-GAAP policies and practices | X |
| Material weaknesses and significant deficiencies in internal control over financial reporting | ✓ Page 6 |
| Auditors' report | ✓ Page 7 |
| Changes to our risk assessment and planned audit strategy | X |
| Significant accounting policies and practices | ✓ Significant accounting policies and practices discussed in Footnote 1 to the financial statements |
| Significant accounting estimates | ✓ Valuation of Investments, Allowance for doubtful accounts, Pension liability, OPEB liability, Derivatives liability and accruals of expenses |
| Significant financial statement disclosures | ✓ Footnotes 2 through 9 to the Financial Statements |
| Group audit engagement considerations | ✓ RTAs are components audited by other auditors reporting to group auditor |

✓ = Matters to report X = No matters to report

Audit results required communications and other matters

| Matters to communicate | | Response |
|--|---|--|
| Related parties | X | |
| Going concern | X | |
| Other information | X | |
| Subsequent events | ✓ | Replacement of two remarketing agreements |
| Noncompliance with laws and regulations | X | |
| Significant difficulties encountered during the audit | X | |
| Significant findings or issues discussed, or the subject of correspondence with management | X | |
| Management's consultation with other accountants | ✓ | Consultation for GASB 94 and GASB 96 implementation |
| Difficult or contentious matters for which the auditor consulted | X | |
| Disagreements with management | X | |
| Other significant matters | X | |
| Illegal acts or fraud | X | |
| Written communications | ✓ | Engagement letter and management representation letter available from management |
| Independence | ✓ | We are independent with respect to MassDOT. |

Material weaknesses and significant deficiencies in internal control

Material weaknesses

| Description | Potential effects | Status |
|---|--|--|
| <p>Timely and accurate financial reporting:</p> <ul style="list-style-type: none"> - Out of period adjustments related to capital assets and depreciation expense - Understatement of toll accounts receivable and related allowance - Late delivery of certain regional transit authority financial statements - Late delivery of pooled cash and investments agreed-upon procedures | <p>Inaccurate and late financial reporting</p> | <p>MassDOT acknowledges the recommendations received from KPMG.</p> <p>MassDOT will continue ongoing internal process reviews and communications to improve the availability and access to data/files needed to implement new accounting standards.</p> <p>MassDOT will continue ongoing communications with the Comptroller's office and the Commonwealth regarding the Capital assets reporting process. The Commonwealth has ongoing plans to upgrade the accounting system and MassDOT will continue to assess and be involved with the process to ensure that this will lead to efficiencies in the Capital Assets reporting process.</p> <p>The MassDOT Revenue and financial reporting teams plan to increase the frequency of communication and status calls with toll service provider to be kept updated with activity that impacts the financial reporting process.</p> <p>During FY2023, MassDOT engaged in frequent communications with the Component units (RTAs) regarding financial reporting timelines and expectations were established. Several RTAs faced various challenges in meeting these expectations. MassDOT will continue discussions and communications with the RTAs and Rail & Transit director to improve the process.</p> <p>MassDOT will continue ongoing communications with the Comptroller's office regarding the accounting and financial reporting system. The Commonwealth has ongoing plans to upgrade the accounting system and MassDOT will continue to assess and be involved with the process to ensure that this will lead to efficiencies in the financial reporting process.</p> |

Auditor's report

Matters affecting the form and content of the auditors' report

- Unmodified opinion on governmental activities, each major fund, and the aggregate remaining fund information
- Qualified opinion on aggregate discretely presented component units due to inclusion of unaudited financial statements for four regional transit authorities



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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