



MassDOT

Discussion with those charged with governance

Audit results and strategy for the year ending June 30, 2025

May 13, 2026

Audit results: Overview

Outstanding matters

None

Auditors' report

Unmodified opinion on governmental activities, each major fund, the aggregate remaining fund information, and aggregate discretely presented component units

Uncorrected Misstatements

Two uncorrected misstatements identified

Corrected Misstatements

Two corrected misstatements identified

Deficiencies

Material Weakness-Review of Other Governmental Fund Receivables
Significant Deficiency- Review of Fixed Assets and Depreciation

See pages 7 and 8 for further discussion

Other

No other matters to discuss.



Required communications to those charged with governance

Audit results required communications and other matters

Matters to communicate	Reference
Significant unusual transactions	X
Uncorrected audit misstatements	✓ \$96M out of period adjustment for capital assets \$109M out of period adjustment for depreciation
Corrected audit misstatements	✓ \$19M overstatement of federal receivables \$1M overstatement of tolls to/from other governments
Financial statement presentation and disclosure omissions	X
Non-GAAP policies and practices	X
Material weaknesses and significant deficiencies in internal control	✓ Page 7 and 8
Auditors' report	✓ Unmodified opinions
Changes to our risk assessment and planned audit strategy	X
Significant accounting policies and practices	✓ Significant accounting policies and practices discussed in Footnote 1
Significant accounting estimates	✓ Valuation of Investments, Allowance for doubtful accounts, Pension liability, and OPEB liability
Significant financial statement disclosures	✓ Footnotes 2 through 11

✓ = Matters to report

X = No matters to report

Audit results required communications and other matters

Matters to communicate	Reference
Group audit engagement considerations	RTAs are components audited by other auditors reporting to the group auditor
Related parties	X
Going concern	X
Other information	X
Subsequent events	2026 revised operating budget approval Supplemental budget to approve snow and ice transfer
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	X
Disagreements with management	X
Other significant matters	X

✓ = Matters to report

X = No matters to report

Audit results required communications and other matters

Matters to communicate

Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to those charged with governance's oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in the system of internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letter, including summary of uncorrected misstatements, internal control deficiency letter, and minutes representation letter to be distributed under separate covers.
Independence	We have not identified any circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we have given significant consideration, in reaching the conclusion that independence has not been impaired.
Required inquiries	See page 9

Material weaknesses and significant deficiencies in internal control

Material weakness- 2025-001

Criteria	Condition	Cause	Effect	Recommendation	Response
Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error	The Other Governmental Fund's (OGF) receivables balance included transactions in which MassDOT incurred expenditures under federal awards and subsequently receives reimbursement from the federal government. During our testing, we identified certain receivables that were reimbursed in FY25, but were reflected as outstanding at June 30, 2025	The control deficiency is a result of a properly designed control that did not operate effectively. The management review control over the federal receivables population did not operate at a precise enough level to ensure that all receivables were relieved once payments were received	Upon further review and analysis by management, additional receivables were identified as being reimbursed in FY25 and were not reflected as collected at year end. This ultimately led to a corrected audit misstatement of \$19.3 million	KPMG recommends that MassDOT implement enhanced controls, including a thorough and documented review of Other Governmental Fund (OGF) receivables, to ensure transactions are recorded completely, accurately, and on a timely basis	Management acknowledges the audit findings and recommendations regarding the Other Governmental Fund (OGF) receivables balance The identified misstatement has been corrected in FY25. In subsequent years, MassDOT plans to implement the following corrective actions • Perform a more detailed review of the underlying receivable reports • Have more frequent communication between the financial reporting group and the Federal grants group to ensure that the Federal receivables are accurately reported

Material weaknesses and significant deficiencies in internal control

Significant Deficiency-2025-002					
Criteria	Condition	Cause	Effect	Recommendation	Response
Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error	Each month management receives from the department’s project manager a listing of construction-in-progress (CIP) projects that have been completed. Upon receipt, management capitalizes each completed project by creating a corresponding fixed asset in the system, assigning a unique fixed asset number, and recording an in-service date as the last day of the month. Approximately one week later, management reviews the newly created assets to confirm they are set up correctly and that depreciation has begun. During our testing of capital assets and inquiry with management, it was identified that CIP projects were not timely transferred to fixed assets in prior fiscal years. As the gross value of these assets were recorded as infrastructure in fiscal year 2024, they were captured in the ending infrastructure balance at June 30, 2024, but were also included in the CIP ending balance at June 30, 2024 In addition, in FY25 management identified a subset of fixed assets with negative balances resulting from various adjustments. Because the system cannot calculate depreciation on assets with negative values, these assets were not being depreciated as expected. Although the assets were placed into service in the appropriate fiscal years, they were also associated with incorrect system identifiers (e.g., fixed asset number, program number, or unit numbers), which prevented depreciation from processing	The control deficiency is a result of a properly designed control that did not operate effectively. The management review control over construction in progress did not operate at a precise enough level to ensure that all projects were transferred to completed projects and depreciated timely	Management identified eighteen assets with a total gross value of \$96 million that should have been transferred out of CIP in prior fiscal years. Additionally, there were \$109 million of assets with negative values that were not being depreciated but were placed into service in the correct year	KPMG recommends that MassDOT implement enhanced controls, including a thorough and documented review of CIP and fixed asset activity, to ensure transactions are recorded completely, accurately, and on a timely basis	MassDOT acknowledges the audit findings and recommendation. In subsequent fiscal years, MassDOT plans to implement the following corrective actions - Enhance CIP Review Implement a standardized reconciliation process between departmental CIP completion reports and the general ledger CIP balance on a monthly basis Introduce a formal checklist to ensure key asset attributes (e.g., in-service date, asset classification) are reviewed at the time of capitalization - Improve Fixed Asset Setup and Monitoring Review the fixed asset system to prevent the creation or persistence of assets with negative balances Require verification of critical data fields prior to finalizing asset setup Perform periodic exception reporting to identify assets not depreciating as expected, including those with zero or negative net book value - Improve Depreciation Control Implement a periodic review of depreciation expense, including comparison to prior periods and expectations based on asset additions Develop automated reports to flag assets excluded from depreciation runs - Review current policies and procedures and update as needed

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
 - Are you aware of, or have you identified, any instances of actual, suspected or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
If so, have the instances been appropriately addressed and how have they been addressed?
 - Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
 - How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
 - Has the entity entered into any significant unusual transactions?
- Are you aware of any matters relevant to the audit, including, but not limited to, any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
 - Has the entity complied with all covenants during the financial statement period and before the date of the auditor's report?
 - Have there been any events of default during the financial statement period and before the dates of the auditor's report?
 - What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
 - Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
 - Have any subsequent events occurred that might affect the financial statements?



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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