



Massachusetts Department of Transportation

Report to the Finance and Audit Committee
Year ended June 30, 2017

January 22, 2018



Audit overview

- KPMG audit objectives
- Overview of 2017 audit results
 - Financial statements
 - Internal control environment
- Auditor required communications with the Finance and Audit Committee

KPMG audit objectives

Audit objectives

- Conduct an independent audit of MassDOT's financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*
- Provide the MassDOT Board of Directors (the 'Board') our opinions as to whether the MassDOT's financial statements as of and for the year ended June 30, 2017 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles
- Provide the Board with additional information regarding our audit and the MassDOT's accounting and financial reporting processes as required under Statement of Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*

Overview of 2017 audit results

Independent auditors' report – Financial statements

The financial statement audit report for June 30, 2017 includes:

- A description of the financial statements being audited
- Management's responsibility for the preparation and accuracy of the financial statements
- Our responsibility to express opinions on the financial statements
- A statement that we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*
- A description on an audit/the audit process
- Unmodified (clean) opinions indicating that the 2017 financial statements are presented fairly in accordance with U.S. GAAP
- A description of the Supplementary and Required Supplementary Information
 - Management's Discussion and Analysis
 - Pension and OPEB historical funding schedules
 - MTTF Combining Schedule
- A description of the separately issued report on internal control and compliance as required by *Government Auditing Standards*

Overview of 2017 audit results (continued)

Internal control environment

- Nature, timing and extent of our procedures determined by:
 - Our understanding of the internal control system
 - Our tests of control effectiveness
 - Discussions with management regarding risks and strategies
 - Results of analysis of risk profile and primary business processes
 - Assessment of the risk of fraud
- Conclusions reached regarding the internal control environment:
 - We noted the following matters involving the internal control environment and its operations that we consider to be significant deficiencies or material weaknesses
 - Financial Reporting Process-Capital Assets
 - Impact of accuracy and timeliness of capital assets documentation on issuance of MassDOT financial statements
- MassDOT's report on the internal control environment will also include significant deficiencies and material weaknesses related to the MBTA, if any

Auditor required communications with finance and audit committee

Topic	Response
Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i>	<p>Audit designed to:</p> <ul style="list-style-type: none"> — Obtain reasonable assurance that the financial statements are free of material misstatement — Determine that MassDOT complied with laws and regulations material to the financial statement
Significant accounting policies	<ul style="list-style-type: none"> — Discussions with management on the quality and acceptability of the MassDOT's accounting principles
Management judgments and accounting estimates	<ul style="list-style-type: none"> — Accounting estimates are an integral part of the financial statements — We have evaluated the key factors and assumptions used to develop management's estimates (such as valuation of investments, accruals of expenses, valuation of derivatives) and found them to be reasonable in relation to the financial statements taken as whole
Significant audit adjustments and unadjusted audit differences affecting the financial reporting process	<ul style="list-style-type: none"> — None noted

Auditor required communications with finance and audit committee (continued)

Topic	Response
Other information in documents containing audited financial statements	We have not been asked to read or review other MassDOT documents (including bond official statements) containing the audited financial statements
Disagreements with management	None
Consultation with other accountants	MassDOT engaged another accounting firm as a technical consultant in completing these financial statements
Difficulties encountered in performing the audits	As in prior years, the difficulties encountered in the capital assets area as reported to the Finance and Audit Committee impacted the reporting timeline
Representation Letter	Available from management



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