



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

*Making government work better*

Official Audit Report – Issued July 19, 2017

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## Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

For the period January 1, 2014 through December 31, 2015





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July 19, 2017

Moira E. Tierney, Esq., Chair  
Woods Hole, Martha's Vineyard and Nantucket Steamship Authority  
PO Box 284  
Woods Hole, MA 02543

Dear Ms. Tierney:

I am pleased to provide this performance audit of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. This report details the audit objectives, scope, methodology, and conclusions for the audit period, January 1, 2014 through December 31, 2015. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump  
Auditor of the Commonwealth

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## **EXECUTIVE SUMMARY**

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (Steamship Authority) for the period January 1, 2014 through December 31, 2015. In this performance audit, we reviewed and assessed selected activities, such as certain aspects of the Steamship Authority's revenue, and compliance with applicable laws, rules, and regulations.

Based on our audit, we have concluded that the Steamship Authority has established adequate controls and practices in the areas we reviewed that were related to our audit objectives. We did not identify any significant deficiencies in those areas.

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## OVERVIEW OF AUDITED ENTITY

The Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority (Steamship Authority) was established under Chapter 701 of the Acts of 1960, as amended, “to provide adequate transportation of persons and necessities of life for the islands of Nantucket and Martha’s Vineyard.” In order to achieve its purpose, the Steamship Authority is empowered to acquire, maintain, and operate all vessels and port terminals necessary to provide water transportation services for passengers and vehicles, including private automobiles and commercial freight and trucks. It operates and maintains a fleet of nine vessels, including auto ferries, freight ferries, and a passenger-only ferry, and employs about 750 people during its summer peak season. The Steamship Authority, whose main office is in Woods Hole, accepts reservations at its offices in Edgartown and Mashpee. It owns and operates ferry terminals in five locations: Woods Hole and Hyannis on Cape Cod, Vineyard Haven and Oak Bluffs on Martha’s Vineyard, and Nantucket. It also owns and operates year-round parking lots in Falmouth, Hyannis, and Nantucket, with seasonal parking available in Falmouth and Bourne. Finally, it operates a vessel maintenance facility in Fairhaven and a receiving warehouse in Falmouth.

A five-member board of directors governs the operations of the Steamship Authority. Board members include a Nantucket resident appointed by the Nantucket County Commissioners; a Falmouth resident appointed by the Falmouth Board of Selectmen; a Barnstable resident appointed by the Town Council; a resident of Martha’s Vineyard appointed by the commissioners of Dukes County; and a New Bedford resident appointed by the mayor of New Bedford and approved by the New Bedford City Council. The Steamship Authority also has a seven-member advisory board known as the Port Council, whose members are appointed by the municipal authorities of Barnstable, Fairhaven, Falmouth, Nantucket, New Bedford, Oak Bluffs, and Tisbury. The Port Council has the power to review the Steamship Authority’s annual budget and advise Steamship Authority members about ongoing or proposed activities in any port community where the Steamship Authority operates. From January 1, 2014 through December 31, 2015, the Steamship Authority had the following revenue:

Revenue Source	Fiscal Year 2014	Fiscal Year 2015
Passenger	\$29,447,793	\$ 32,285,844
Automobile	28,441,284	29,367,504
Freight	24,460,534	25,886,305
Parking	6,373,395	6,939,594
Other	5,059,593	5,577,540
<b>Total</b>	<u>\$93,782,599</u>	<u>\$100,056,787</u>

## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (Steamship Authority) for the period January 1, 2014 through December 31, 2015.

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.

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Is the Steamship Authority properly administering the collection, accounting, recording, and reporting of its parking-lot revenue?	Yes
2. Is the Steamship Authority properly administering the collection, accounting, recording, and reporting of its passenger revenue?	Yes

To achieve our audit objectives, we gained an understanding of the Steamship Authority's internal controls over parking and passenger revenue that we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls.

We also performed the following audit procedures:

- We observed while a Steamship Authority internal auditor performed an audit of one of the Steamship Authority's ticket revenue collection agents.
- For our test of parking-lot revenue, we selected a nonstatistical random sample of 33 days of transactions from parking lots with high volumes of parking-lot activity from a population of 730 days during the audit period. To ensure that the money received was accounted for and properly deposited, we traced all cash and credit-card deposits for the selected parking lots from hardcopy source documents to hardcopy and electronic summary reports, including accounts-receivable/sales journal entries, that the internal audit staff provided to us. We then

traced the monthly posting of parking revenue from one of the five regional parking lots selected in our test from the monthly Parking Revenue Allocation worksheet files to the general ledger to ensure that monthly deposits were posted accurately after being reconciled. The Parking Revenue Allocation worksheet is used by the internal auditors to allocate revenue to the appropriate general-ledger revenue account.

- In examining the Steamship Authority's passenger revenue, we selected a random nonstatistical sample of 30 days from a population of 730 days over the two-year audit period. There were five terminals that sold passenger tickets; we judgmentally selected one sales ticket terminal and one ticket seller to test the transactions for a particular day. We traced the cash received, from the ticket agent's sales summary report to the deposit log and validated deposit ticket. We traced credit-card sales and cash to the accounts-receivable/sales journal and to the general ledger.

Because our sampling was nonstatistical, we did not project the results of our audit tests to the total populations in the areas we reviewed.

The Steamship Authority uses the EDS reporting system to record its financial transactions. We determined the reliability of the parking-lot revenue data by obtaining the daily parking-lot summary reports and tracing the daily revenue to the parking-lot manager's general totals report; we traced the cash receipts to the deposit logs and sales journal entries. We traced the credit-card sales to accounts-receivable journal entries and credit-card reports provided by the bank that processes credit-card transactions. We then traced all daily sales amounts to monthly allocation sheets and then to monthly parking-lot general-ledger amounts. We determined that the data were sufficiently reliable for the purposes of our audit.

In examining passenger revenue, we determined the reliability of the data by obtaining original source documentation, such as the ticket agent's daily sales amounts, from the daily sales summary report; comparing the cash amount to the validated deposit ticket; and comparing the credit-card sales to the accounts-receivable/sales journal. (This journal is a record of all ticket sales credited to each ticket agent. All sales revenue from passenger tickets is consolidated by each ticket agent at the end of each month and posted to the general ledger by the internal auditors.) We obtained monthly earned-revenue reports from the assistant treasurer and traced this revenue to the general-ledger balances. We determined that the data were sufficiently reliable for the purposes of our audit.