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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
GREENFIELD-MONTAGUE
TRANSPORTATION AREA
JULY 1, 2004 TO DECEMBER 31, 2006

OFFICIAL AUDIT
REPORT
MAY 15, 2007

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we conducted an audit of certain activities of the Greenfield-Montague Transportation Area (GMTA) for the period July 1, 2004 to December 31, 2006. The objectives of our audit were to (1) review and analyze GMTA's internal controls over receipts and expenditures, including administrative costs and expenses, to determine their adequacy; (2) review GMTA's controls over contracts to determine if proper bidding, awarding, and oversight procedures are in place; (3) determine GMTA's compliance with applicable laws, rules and regulations; and (4) review GMTA's most recent independent public accountant (IPA) audit reports and management letters to determine if the audits were conducted in accordance with generally accepted government auditing standards, and to follow up on any identified issues.

Based on our review, we have concluded that during the 30-month period ended December 31, 2006, the Authority maintained adequate management control and complied with applicable laws, rules and regulations for the areas tested.

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STATUS OF THE GREENFIELD-MONTAGUE TRANSPORTATION AREA

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On March 30, 2006, the Mayor of Greenfield and the Chairman of the Montague Board of Selectmen announced that representatives of the Franklin Regional Transit Authority (FRTA) and the Greenfield-Montague Transportation Area (GMTA), with the assistance of the Massachusetts Executive Office of Transportation (EOT), reached a consensus on a plan to place all regional transportation under one organization and one budget. The purpose of this agreement is to eliminate the growing deficit of GMTA and to pay it off without any adverse impact to member communities. The agreement is also intended to eliminate any overlapping of service and administration and to enhance the effectiveness and quality of public transportation throughout the region.

On August 1, 2006, GMTA ceased the operation of its transit services and FRTA assumed jurisdiction of the fixed route and demand response services that GMTA had been performing. FRTA has assumed all the costs of providing these additional services. GMTA entered into a lease agreement with FRTA to lease its transit vehicles and its garage facility located at 382 Deerfield Street, Greenfield, MA. As part of the lease, FRTA has first right of refusal on the garage facility. F.M. Kuzmeskus Inc. was contracted by FRTA to operate GMTA's former services, and all former GMTA employees became employees of F.M. Kuzmeskus, Inc. On December 13, 2006, the Federal Transit Administration (FTA) approved a request from the EOT to transfer 31 transit vehicles from GMTA to FRTA of \$1, consistent with the merger of these two RTAs to form a single agency.

INTRODUCTION

Background

The Greenfield-Montague Transportation Area (GMTA) is a public transportation agency that was established under Chapter 161 of the Massachusetts General Laws to provide transportation services to the city of Greenfield, the town of Montague, and Franklin County. GMTA has a general responsibility to develop, finance, and operate mass transportation facilities within its territory. GMTA 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 concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the area.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the GMTA for the period July 1, 2004 to December 31, 2006. The objectives of our audit were to (1) review and analyze GMTA's internal controls over receipts and expenditures, including administrative costs and expenses, to determine their adequacy; (2) review GMTA's controls over contracts to determine if proper bidding, awarding, and oversight procedures are in place; (3) determine GMTA's compliance with applicable laws, rules, and regulations; and (4) review GMTA's most recent independent public accountant (IPA) audit reports and management letters, if applicable, to determine if the audits were conducted in accordance with generally accepted government auditing standards (GAGAS), and to follow up on any identified issues.

To achieve our audit objectives, we reviewed the Authority's:

- Procedures for advertising, awarding, and monitoring transportation contracts;
- Administrative costs and transportation contract expenditures; and
- System of controls over revenues and expenditures.

We also reviewed applicable laws, rules, and regulations and the most recent IPA audit reports to determine if they were prepared in compliance with GAGAS.

Based on our review, we have concluded that during the 30-month period ended December 31, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

STATUS OF THE GREENFIELD-MONTAGUE TRANSPORTATION AREA

On March 30, 2006, the Mayor of Greenfield and the Chairman of the Montague Board of Selectmen announced that representatives of the Franklin Regional Transit Authority (FRTA) and the Greenfield-Montague Transportation Area (GMTA), with the assistance of the Massachusetts Executive Office of Transportation (EOT) reached a consensus on a plan to place all regional transportation under one organization and one budget. The purpose of this agreement is to eliminate the growing deficit of GMTA and to pay it off without any adverse impact to member communities. The agreement is also intended to eliminate any overlapping of service and administration and to enhance the effectiveness and quality of public transportation throughout the region.

GMTA is currently working with their attorney regarding the sale of its real estate. During fiscal year 2006, the GMTA Advisory Board hired a real estate appraisal firm to inspect and appraise the property, which consists of a 15,646 square foot single story maintenance garage with offices located on a 1.36-acre site. According to the appraisal report dated April 18, 2006, the value of their property is \$550,000. It is the intent of the GMTA Advisory Board to have the property on the market by June 30, 2007 and to complete the sale by June 30, 2008. According to GMTA's Advisory Board Chairman, the appraised value is sufficient to cover any and all outstanding obligations of GMTA, with any remaining monies to be distributed to GMTA's member communities

In June 2006, the Mayor of Greenfield and the Town Administrator of Montague, on behalf of the Board of Selectmen, formally requested that FRTA assume the operation of GMTA. In its response, the Chairman of FRTA Advisory Board stated that FRTA would need at least three weeks to implement service, and that they could anticipate providing transportation services beginning July 31, 2006.

On August 1, 2006, GMTA ceased the operation of its transit services and FRTA assumed jurisdiction of the fixed route and demand response services that GMTA had been performing. FRTA has assumed all of the costs of providing these additional services. GMTA entered into a lease agreement with FRTA to lease its transit vehicles and its garage facility located at 382 Deerfield Street, Greenfield, MA. As part of the lease, FRTA has first right of refusal on the

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