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**INDEPENDENT STATE AUDITOR'S REPORT ON  
THE MASSACHUSETTS DEPARTMENT OF  
TRANSPORTATION'S (MASSDOT) USE OF  
AMERICAN RECOVERY AND REINVESTMENT  
ACT FUNDS  
FEBRUARY 17, 2009 THROUGH FEBRUARY 27, 2010**

**OFFICIAL AUDIT  
REPORT  
AUGUST 30, 2010**

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**INTRODUCTION**

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Chapter 25 of the Acts of 2009, “An Act Modernizing the Transportation Systems of the Commonwealth of Massachusetts,” (as amended by Chapter 26 of the “Act”) required that the Commonwealth, as of November 1, 2009 integrate transportation agencies and authorities into a new, streamlined Massachusetts Department of Transportation (MassDOT). The MassDOT is a merger of the former Executive Office of Transportation and Public Works, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles, the Massachusetts Aeronautics Commission, and the Tobin Bridge, formerly owned and operated by the Massachusetts Port Authority. In addition, the Massachusetts Bay Transportation Authority and the regional transit authorities are subject to oversight by the new organization and are considered component units of MassDOT. The MassDOT also assumed responsibility for many of the bridges and parkways currently operated by the Department of Conservation and Recreation.

A five-member Board of Directors appointed by the Governor with expertise in transportation, finance and engineering oversees the new organization, while serving as the governing body of both MassDOT and the Massachusetts Bay Transportation Authority (MBTA), which is part of MassDOT but retains a separate legal existence. MassDOT is administered by the Secretary of Transportation, who is appointed by the Governor also to serve as its Chief Executive Officer.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the MassDOT for the period February 17, 2009 to February 27, 2010. The objectives of our audit were to review MassDOT’s controls over monitoring of American Recovery and Reinvestment Act (ARRA) funds received and expended. We also reviewed ARRA expenditures to determine whether these funds were expended for their intended purposes.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review, we have concluded that during the period February 17, 2009 through February 27, 2010, the MassDOT maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## INTRODUCTION

### *Background*

Effective November 1, 2009, Chapter 25 of the Acts of 2009, “An Act Modernizing the Transportation Systems of the Commonwealth of Massachusetts, (as amended by Chapter 26 of the “Act”) required that the Commonwealth integrate transportation agencies and authorities into a new, streamlined Massachusetts Department of Transportation (MassDOT). The MassDOT is a merger of the former Executive Office of Transportation and Public Works (EOT), the Massachusetts Highway Department (MHD), the Massachusetts Turnpike Authority, the Registry of Motor Vehicles, the Massachusetts Aeronautics Commission (MAC), and the Tobin Bridge, formerly owned and operated by the Massachusetts Port Authority (MPA). In addition, the Massachusetts Bay Transportation Authority (MBTA) and the regional transit authorities (RTAs) are subject to oversight by the new organization and are considered component units of MassDOT. The MassDOT also assumed responsibility for many of the bridges and parkways currently operated by the Department of Conservation and Recreation (DCR).

The MassDOT is organized into four divisions: Highway, Mass Transit, Aeronautics and the Registry of Motor Vehicles (RMV), in addition to an Office of Planning and Programming. MassDOT is administered by the Secretary of Transportation, who is appointed by the Governor and also serves as its Chief Executive Officer. Financial activity at MassDOT is recorded principally in two new funds: the Massachusetts Transportation Trust Fund (MTTF) and the Commonwealth Transportation Fund (CTF). The CTF is controlled by the Governor and the Legislature and replaces the Highway Fund. Its major revenue sources are from fuel taxes, and RMV fees. The Massachusetts Transportation Trust Fund (MTTF) is under the control of MassDOT and receives revenues from the Massachusetts turnpike tolls, Tobin Bridge tolls, departmental revenues of the former EOT, MHD and MAC, and appropriations of nondedicated revenue from the CTF. A five-member Board of Directors appointed by the Governor with expertise in transportation, finance and engineering oversees the new organization, while serving as the governing body of both MassDOT and the MBTA, which is part of MassDOT but retains a separate legal existence.

During our audit period, MassDOT was awarded American Recovery and Reinvestment Act (ARRA) grants from the United States Department of Transportation–Federal Highway Administration totaling \$437,865,255 of which \$59,659,500 was allocated to the MBTA and regional

transit authorities. The Highway Division allocated the remaining ARRA award of \$378,205,755 to help fund 84 road, highway and bridge projects. As of February 27, 2010 the Highway Division of MassDOT had received \$40,672,163 and expended \$45,221,806 for road and bridge projects.

***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 Massachusetts Department of Transportation (MassDOT) for the period February 17, 2009 to February 27, 2010. The objectives of our audit were to review MassDOT’s controls over monitoring of ARRA funds received and expended. Also, we reviewed ARRA expenditures to determine whether these funds were expended for their intended purposes.

We selected ten projects with construction bids totaling \$119,771,879 and accumulated costs of \$13,010,672 as of February 27, 2010 as shown in the following table:

<u>Project Description</u>	<u>Municipality</u>	<u>Bid Amount</u>	<u>Total Expenses As of February 27, 2010</u>
Roadway Reconstruction and Bridge Replacement	Bellingham	\$ 8,483,493	0
Route 2 Roadway Reconstruction	Orange	11,757,225	0
Roadway Reconstruction on Main Street and Broad Street	Westfield	11,957,543	0
Resurfacing on Route 6	Westport	4,057,970	\$ 3,432,961
Resurfacing and Related Work on Route 2	Harvard-Littleton	4,188,162	3,705,710
Construction of a New Interchange on Route 24	Fall River-Freetown	34,739,805	358,840
Resurfacing on Grand Army of the Republic Highway	Swansea	3,362,787	\$ 3,037,036
Resurfacing on Mohawk Trail	Erving-Gill-Orange-Wendell	2,936,224	\$ 2,349,676
Intersection and Signal Improvements	Boston	12,933,770	\$ 123,076
Northbank Bridge Construction and Riverwalk	Boston-Cambridge	<u>25,354,900</u>	<u>\$ 3,373</u>
Total		<u>\$119,771,879</u>	<u>\$13,010,672</u>

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To achieve our audit objectives, we reviewed the following:

- Contractor selection and bid process
- Internal control procedures developed and utilized by the MassDOT to ensure accountability for the administration and expenditure of ARRA funds
- Procedures for making payments to contractors including a review of pay estimates and invoices to verify compliance with established rules and regulations
- Job creation and retention statistics
- Reporting

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review, we have concluded that during the period February 17, 2009 through February 27, 2010, the Mass DOT maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.