

**PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts
Department of Transportation)**

**Schedule of Expenditures of Federal Awards
and OMB Uniform Guidance Auditors' Reports**

Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
2808 Main Street
Springfield, MA 01107

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Pioneer Valley Transit Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Pioneer Valley Transit Authority's major federal programs for the year ended June 30, 2022. The Pioneer Valley Transit Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Pioneer Valley Transit Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Pioneer Valley Transit Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Pioneer Valley Transit Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Pioneer Valley Transit Authority's federal programs.

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MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, MASSACHUSETTS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Pioneer Valley Transit Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Pioneer Valley Transit Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pioneer Valley Transit Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Pioneer Valley Transit Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Pioneer Valley Transit Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, of the Pioneer Valley Transit Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority’s basic financial statements. We issued our report thereon dated September 19, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Draft
9/24/2022
ADELSON & COMPANY PC
September 19, 2022



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
2808 Main Street
Springfield, MA 01107

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pioneer Valley Transit Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements and have issued our report thereon dated September 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pioneer Valley Transit Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pioneer Valley Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pioneer Valley Transit Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pioneer Valley Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pioneer Valley Transit Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Pioneer Valley Transit Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Pioneer Valley Transit Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draft
9/24/2022
ADELSON & COMPANY PC
September 19, 2022

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Federal Transit Administration				
Federal Transit Cluster - Direct Program				
Federal Transit Formula Grants				
Section 5307 Capital and Planning Assistance	20.507		\$ 11,848,796	\$ 237,462
COVID-19 Section 5307 Capital and Operating Assistance CARES	20.507		2,950,135	-
COVID-19 Section 5307 Operating Assistance ARPA	20.507		4,912,713	-
Total Federal Transit Formula Grants			<u>19,711,644</u>	<u>237,462</u>
Bus and Bus Facilities Formula Program				
Section 5339 Capital Assistance	20.526		2,306,840	-
Total Federal Transit Cluster - Direct Program			<u>22,018,484</u>	<u>237,462</u>
Transit Services Programs Cluster				
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities - Direct	20.513		26,614	-
Section 5317 New Freedom Program - Direct	20.521		4,777	-
Passed through Massachusetts Department of Transportation				
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	114741	88,272	-
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	114830	226,844	-
Total Transit Services Programs Cluster			<u>346,507</u>	<u>-</u>
Passed through Massachusetts Department of Transportation				
Section 5311 Formula Grants for Rural Areas	20.509	116546	59,420	-
Section 5305 Helping Obtain Prosperity for Everyone - Direct	20.505		19,621	-
Section 5312 Accelerated Innovative Mobility - Direct	20.530		234,225	-
Total expenditure of federal awards			<u>\$ 22,678,257</u>	<u>\$ 237,462</u>

See accompanying notes to schedule of expenditures of federal awards.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Pioneer Valley Transit Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Pioneer Valley Transit Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Pioneer Valley Transit Authority has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified opinion on all major programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.507, 20.526	Federal Transit Administration Federal Transit Cluster – Section 5307 Formula Grants and Section 5339 Bus and Bus Facilities Formula & Discretionary Programs

See detail on Schedule of Expenditures of Federal Awards

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2022-001: Lack of Controls over Financial Reporting

Material Weakness

Reportable Condition

During our audit, we noted several account balances which were not properly reconciled prior to the start of the audit. As a result, we proposed several material adjustments to be recorded in the Authority's general ledger.

- a. Accounts receivable contained erroneous balances, which had been previously collected by the Authority. The amount to be written off from accounts receivable is \$603,875.
- b. Multiple capital projects were incorrectly expensed, rather than being capitalized as required by *Generally Accepted Accounting Principles* and the federal Uniform Guidance. As a result, we proposed adjustments to capitalize assets of \$1,809,385.
- c. We proposed additional adjustments to the following accounts:
 - i. Accrued expenses of \$357,089 to reclassify expenses previously paid by the Authority;
 - ii. Deferred revenue of \$161,140 to reclassify amounts previously recognized as revenue;
 - iii. Intercompany payables of \$573,826 to agree with the general ledger of the Authority's fixed route operator.

Criteria:

As part of its month-end closing, the Authority should review and reconcile its balance sheet accounts to ensure the balances are accurate.

Cause:

The Authority does not have the proper oversight in place over its general ledger. Account reconciliations are not being properly completed, and erroneous balances are reported on the Authority's internal financial statements.

Effect:

Prior to adjustments proposed by the auditor, the Authority's internal financial statements were misstated as follows:

- a. The Authority's accounts receivable were overstated by \$603,875.
- b. The Authority's capital assets were understated by \$1,809,385.
- c. The Authority's accrued expenses were overstated by \$357,089.
- d. The Authority's deferred revenue was overstated by \$161,140.
- e. The Authority's intercompany payable was overstated by \$556,328.

Repeat Finding:

No.

Auditors' Recommendation:

The Authority should document in its Accounting Policies and Procedures manual the required month-end closing procedures to be performed by the Finance department. To assist in the monthly closing process, the Authority should develop a month-end closing checklist, noting the accounts to be reconciled, position responsible for preparation, and due date of the reconciliation to be submitted to the CFO for review.

Additionally, the month-end closing checklist should also note certain financial reports to be provided to the Administrator on a monthly basis. These reports should be generated directly from the Operating and Capital general ledger systems, and should include:

- a. Comparative balance sheet, for operating and capital;
- b. Comparative income statement, for operating and capital;
- c. Budget versus actual income statement;
- d. Accounts receivable aging, for operating and capital;
- e. Accounts payable aging, for operating and capital.
- f. Reconciliation of fixed asset module to capital general ledger.

The Authority should plan its month-end close schedule so the internal financial statements are made available to the Administrator three weeks after month-end. These reports should also be provided to the Finance Committee after review and approval by the Administrator.

Response:

The Authority will revise the Accounting Policies and Procedures Manual's month-end closing procedures including updating the month-end closing checklist to note the accounts that need to be reconciled, the Department's position responsible for the task and the due date of reconciled accounts. The month-end checklist will include the preparation of financial reports generated from the Operating and Capital ledger systems to include:

- a. Comparative balance sheet, for operating and capital;
- b. Comparative income statement, for operating and capital;
- c. Budget versus actual income statement;
- d. Accounts receivable aging, for operating and capital;
- e. Accounts payable aging, for operating and capital.
- f. Reconciliation of fixed asset module to capital general ledger.

The CFO and Administrator will meet on the 5th day of each month to review the financial reports/statements that were closed in the prior month. These reports will be provided to the Authority's Finance Committee.

Finding 2022-002: Lack of Reconciliation over Fixed Assets
Material Weakness

Reportable Condition

In fiscal year 2020, the Authority began conversion to a new fixed asset software module. The conversion project has been ongoing, and the balances reported in the fixed asset software do not agree to the balances reported in the accounting general ledger by \$3,712,158 at June 30, 2022. This variance is related to the import and maintenance of data in the fixed asset module. The fixed asset balance reported in the general ledger, and ultimately, the financial statements, is fairly stated.

Depreciation and disposals for fiscal year 2022 were being recorded after the audit began in August 2022, which delayed receipt of reports from the fixed asset software during the audit.

Criteria:

The balances per the fixed asset software should be reconciled to the balances reported in the accounting general ledger.

Cause:

The Authority's conversion of fixed asset modules is ongoing, and monthly reconciliations between the general ledger and software module are not being prepared.

Effect:

The fixed asset software does not agree to the accounting general ledger.

Repeat Finding:

No.

Auditors' Recommendation:

The fixed asset software should be reconciled to the accounting general ledger monthly. This reconciliation should be included as part of the month-end closing process recommended in Finding 2022-001.

Additions and disposals should be recorded in the fixed asset software at the time the transaction occurs. Depreciation should be recorded into the general ledger monthly.

Response:

Historical balances will be reconciled from the fixed asset software to the accounting general ledger.

Finance Department staff will be trained on the Abila Software System Asset Module.

The Account Payable Module from Abila will be integrated with the Abila Fixed Asset Module. This integration will facilitate additions and disposals of assets at time of transaction. Small items, equipment and services will not be posted to the Capital Fixed Asset Module.

Fixed assets will be reconciled monthly as part of the month-end closing schedule. Depreciation will be recorded monthly into the general ledger.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for the year ended June 30, 2022.

STATUS OF PRIOR AUDIT FINDINGS

There were no findings or questioned costs for the prior year ended June 30, 2021.

Draft
9/24/2022