

**LOWELL REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Auditor's Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related  
Information

Year ended June 30, 2013

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(A Component Unit of the Massachusetts Department of Transportation)

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Management and Budget (OMB) Circular A-133 and  
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Year Ended June 30, 2013

Table of Contents

Page

**OMB Circular A-133 Single Audit Reports:**

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	8

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Advisory Board  
Lowell Regional Transit Authority

Report on Compliance for Each Major Federal Program

We have audited Lowell Regional Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types 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, 2013.

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated September 26, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 OMB Circular A-133 and is not 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.

This 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Roland P. Lambalot, PC*

Methuen, Massachusetts  
September 26, 2013

**LOWELL REGIONAL TRANSIT AUTHORITY**  
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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct programs:			
Federal Transit - Capital Investment Grants	20.500		\$ 30,026
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		2,203,497
Federal Transit - ARRA (Urbanized Area Formula Program)	20.507		131,591
Pass-through programs from Massachusetts Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	MA-18-X051	7,773
Job Access - Reverse Commute	20.516	MA-37-X036	94,903
Job Access - Reverse Commute	20.516	MA-37-X053	21,364
Total expenditures of federal awards			<u>\$ 2,489,154</u>

*See accompanying independent auditors' report and notes to schedule of expenditures of federal awards*

**LOWELL REGIONAL TRANSIT AUTHORITY**  
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Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

**1. Entity**

The Lowell Regional Transit Authority (the Authority) is a component unit of Massachusetts Department of Transportation and political subdivision of the Commonwealth of Massachusetts (the Commonwealth) formed pursuant to Commonwealth law to, among other things, hold and manage mass transportation facilities and equipment, and to enter into agreements for its operation, construction and use.

**2. Summary of Significant Accounting Policies**

The accounting and reporting policies of the Authority are set forth below:

*(a) Basis of Presentation*

The accompanying schedule of expenditures of federal awards has been prepared using the accrual basis of accounting and includes federal, state, and local expenditures.

*(b) Expenditures in Excess of Federal Participation*

Under its grant contracts with the federal government, the Authority is reimbursed for a fixed percentage of eligible project costs. The Authority funds the expenditures in excess of the federal share through funds received from the Commonwealth and local sources.

**3. Approved Federal Grant Programs**

The Authority's Federal Transit – Formula Grants for the year ended June 30, 2013 consisted primarily of capital grants under contracts with the Federal Transit Administration (FTA). These grants provide for the acquisition of land and equipment, the construction of service extensions, stations, and maintenance facilities, and the improvement of facilities and equipment.

According to the terms of the FTA contracts, the Authority will be reimbursed from 80% to 100% of the allowable project costs as defined in the grant agreement. The terms of those federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purpose specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and comply with the Equal Opportunity and Affirmative Action programs as required by MAP-21.

**4. Subrecipients**

The Authority provided approximately \$73,291 in federal awards to the Northern Middlesex Council of Governments, Lowell, Massachusetts.

The subrecipient payments are in the Federal Transit – Formula CFDA #20.507 expenditures.

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INDEPENDENT AUDITOR'S 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*

Advisory Board  
Lowell Regional Transit Authority

We have audited, in accordance with 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 governmental activities, the business-type activities, and the aggregate remaining information of Lowell Regional Transit Authority (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal controls* 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

## 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.

*Roland P. Lambalot, PC*

Methuen Massachusetts  
September 26, 2013

**LOWELL REGIONAL TRANSIT AUTHORITY**  
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unqualified opinion on the financial statements of Lowell Regional Transit Authority.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in According with *Government Auditing Standards*.
3. No instances of noncompliance considered material to the financial statements of Lowell Regional Transit Authority which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Report on Compliance with Requirements For Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133
5. The independent auditor's report on compliance for the major federal award programs for Lowell Regional Transit Authority expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include: Federal Transit Formula Grants (Urbanized Area Formula Program), CFDA No. 20.507
8. The threshold for distinguishing Types A and B programs was \$300,000
9. Lowell Regional Transit Authority was determined to be a low-risk auditee.

**B. Findings Related to the Financial Statements**

**Instances of Non-Compliance:**

No matters were reported.

**C. Finding and Questioned Costs – Major Federal Award Program Audit**

**Instances of Non-Compliance:**

No matters were reported.

**Significant Deficiency**

No matters were reported.

**LOWELL REGIONAL TRANSIT AUTHORITY**  
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Summary Schedule of Prior Year Audits

June 30, 2013

There were no significant or material uncorrected prior year findings that affect the current year audit objectives.

Information in regard to  
New Business/Motions

1. Audit Committee.

At the June, 2013, LRTA Advisory Board Meeting, pursuant to MGL c29, s29k, an Audit Committee was established, to meet once per calendar year with the LRTA Auditor separately from LRTA Management. Mr. David Tully and Mr. Mike Gowing were appointed to serve on the committee.

Mass DOT now requires Transit Authorities to have a “Finance and Audit Committee” to meet not less four times a year.

See attached “MassDOT Standard Contract Addendum” Board Composition.

2. Compensation Committee.

Please see section 53.04 of 801 CMR 53:00 attached.

3. Addition of two members to LRTA Advisory Board.

Please see Massachusetts General Laws, Chapter 161B, Section 5 attached.