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**MINUTES OF PVTA'S  
REMOTE FINANCE & AUDIT COMMITTEE MEETING  
September 29, 2022**

**1. CALL TO ORDER**

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Thursday, September 29, 2022 at 1:00 P.M. (postponed from September 19, 2022) remotely in accordance with the Governor's Provisions of the Open Meeting Law, G.L. c. 30A, Section 20, relieving from the requirement of section 20 of chapter 30A that it conduct its meetings in a public place that is open and physically accessible to the public, permitting a public body to allow remote participation by all members.

**ROLL CALL MEMBERS PRESENT:**

Members: Michael Squindo, Agawam; Doug Slaughter, Amherst; Steve Huntley, Chicopee (arrived at 1:11pm); David Moskin, Hadley; Gloria Caballero, Holyoke;

**NOT PRESENT:**

Brian O'Leary, Belchertown;

Call to Order: Doug Slaughter, member of the Finance & Audit Committee stated that the committee has a quorum and called the meeting to order at 1:06 P.M.

**2. PUBLIC COMMENTS**

Doug Slaughter opened the floor for public comments. No Public Comments were made.

**3. APPROVAL OF MINUTES OF THE FINANCE & AUDIT COMMITTEE MEETING OF MAY 16, 2022.**

Doug Slaughter asked for a motion from the Finance & Audit Committee to approve the meeting minutes of May 16, 2022.

**MOTION:** Moved and seconded (Moskin/Squindo) to approve the minutes of PVTA's Finance & Audit Committee meeting held May 16, 2022.

Doug Slaughter asked if there was any discussion, hearing none, asked for a roll call vote.

David Moskin: Yes  
Michael Squindo: Yes  
Gloria Caballero: Yes  
Doug Slaughter: Yes

Motion passed, 4-0 vote.

#### 4. FY22 AUDIT REPORT

Auditor David Irwin, from Adelson & Company PC, reported on PVRTA's FY22 Audit and stated the following:

PVRTA met all the requirements for the audit and all the information and documentation that was needed was provided. We have reported to management that there are material weaknesses in Pioneer Valley Transit Authority's internal control over financial reporting, lack of reconciliation procedures over fixed assets, and significant delays in the drawdown of grants receivable.

Even though there are findings, which I believe can be rectified with monthly reports, we were able to issue a clean financial opinion to the state.

(Steve Huntley arrived at 1:11pm)

##### Finding 2022-001: Lack of Controls over Financial Reporting

*Material Weakness:* 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 \$556,328 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:* 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.

We made some comments and recommendations for the Audit. These are not findings but areas for improvement:

1. During our review of cash and short-term investment accounts, we noted that the Chief Financial Officer is the only individual listed as having access to the funds in the Massachusetts Municipal Depository Trust (MMDT) accounts. It was noted that all fund transfers are required to be approved by the Administrator prior to being initiated by the CFO.

*Recommendation:* The Authority should add the Administrator and a Board member as secondary signers on the MMDT account.

*Action Taken:* The Authority will add the Administrator and the Chairman of the Advisory Board as secondary signers on the MMDT account.

2. During fiscal year 2022, we identified capital costs of \$711,668 incurred by the Authority which were not funded under existing capital grants.

Recommendation: The Authority should seek to amend its CARES Act Grant to cover the cost of these unfunded capital projects, otherwise the cost will be reimbursed through reimbursable depreciation over the life of the assets.

Action Taken: The Authority has been in discussions with FTA Region 1 staff to amend the CARES Grant to include the capital projects identified through this audit.

A full copy of PVRTA's FY22 Audit Report has been filed with the minutes of this meeting.

Doug Slaughter: The key thing is that a clean financial opinion was provided. The findings are areas we could do better in. The audit is in place to find weaknesses, so outside opinions are important and these are all fixable.

David Moskin: What were the items we were spending our own money on versus grant money.

Auditor Irwin: Money spent by PVRTA was on capital projects including the generator project at UMass and VATCo and the electric bus chargers.

Sandra Sheehan: The generators arrived late so we couldn't use the RTA Capital funding since it was past the end of the fiscal year. Goods need to be delivered by June 30<sup>th</sup> and they arrived in late August. The electric bus chargers will be getting funding, that was due to the delayed invoice.

David Moskin: When the committee receives the monthly reports, could you please advise if there are any issues and if so, if they could be pointed out with footnotes explaining the discrepancy.

Lisa: Yes, I will have notes and comments to navigate the financial reports.

Gloria Caballero: Did the audit include the financial aspect and the quality of the service provided to the public.

Auditor Irwin: The audit we do is the financial aspect. It reviews the financial performance of the Authority and the accounting systems in place.

Sandra Sheehan: Management is going to step out of the room, so the Finance & Audit Committee has an opportunity to meet with the Auditor and ask any questions.

(Management left the room at 2:09pm)

Steve Huntley: In your opinion, was management supportive and corporative.

Auditor Irwin: Yes. Management was very cooperative. We had to make many accounting adjustments but had no issues with the staff or management to get to the clean opinion. That is the only reason for the delay in the Audit Report was due to the large number of adjustments.

(Management entered the room at 2:14pm)

Steve Huntley made motion to accept PVRTA's FY22 Audit Report and recommend approval by the Advisory Board.

**MOTION:** Moved and seconded (Huntley/Slaughter) to accept PVTA's FY22 Audit Report and recommend approval by the Advisory Board.

Doug Slaughter asked if there was any discussion, hearing none, asked for a roll call vote.

David Moskin: Yes  
Michael Squindo: Yes  
Gloria Caballero: Yes  
Doug Slaughter: Yes  
Steve Huntley: Yes

Motion passed, 5-0 vote.

## **5. PVTA FY23 BUDGET AMENDMENT**

Chief Financial Officer, Lisa Seymour, stated that two changes are needed to the FY23 Budget. An adjustment to the Farebox line item to better reflect PVTA's ridership data from \$6,070,000 to \$5,500,000 and an adjustment to State Contract Assistance from \$25,962,099 to \$26,887,785. Everything else presented in the FY23 Budget remains the same.

(Gloria Caballero left meeting at 2:18pm)

Chairman Huntley asked for a motion from the Finance & Audit Committee to Approve PVTA's FY23 Budget Amendment.

**MOTION:** Moved and seconded (Slaughter/Squindo) to approve PVTA's FY23 Budget Amendment and recommend approval by the Advisory Board.

Chairman Huntley asked if there was any discussion, hearing none, asked for a roll call vote.

David Moskin: Yes  
Michael Squindo: Yes  
Doug Slaughter: Yes  
Steve Huntley: Yes

Motion passed, 4-0 vote.

## **6. BUDGET TO ACTUAL**

Sandra Sheehan stated that the Budget to Actual is included in your packet. Due to time, unless anyone has any questions we can discuss this at the next meeting.

## **7. OTHER BUSINESS**

Chairman Huntley reported that there is no other business to discuss.

## **8. ADJOURNMENT**

Chairman Huntley asked for a motion from the Finance & Audit Committee to adjourn.

**MOTION**: Moved and seconded (Slaughter/Squindo) to adjourn.

Chairman Huntley asked for a roll call vote.

David Moskin: Yes  
Michael Squindo: Yes  
Doug Slaughter: Yes  
Steve Huntley: Yes

Motion passed, 4-0 vote.

The meeting of the PVTA Finance & Audit Committee adjourned at 2:23 P.M.

**A TRUE RECORD**

**ATTEST:** \_\_\_\_\_  
**BRANDY PELLETIER**

Documents filed with Finance & Audit Committee Meeting packet:

- May 16, 2022 Finance & Audit Committee Minutes
- FY22 Audit Report
- FY23 Budget Amendment
- Budget to Actual Report

**Minutes Approved: 11-14-2022**