

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

**MANAGEMENT LETTER**

**June 30, 2024**

Table of Contents

	Page
Cover Letter	2
Comments and Recommendations	3 - 4
Status of Prior Year Recommendations	4



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To the Advisory Board of  
**FRANKLIN REGIONAL TRANSIT AUTHORITY**  
12 Olive Street  
Greenfield, MA 01301

Dear Members of the Advisory Board,

In connection with our audit of the financial statements of Franklin Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of June 30, 2024, we have made a review of the Authority's accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Authority's consideration, suggestions for changes in procedures, which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purpose of expressing an opinion on the internal accounting control, and it would not necessarily disclose all weaknesses in the system.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience. We are also available to provide guidance to assist the Authority in implementing the recommendations.

We would like to express our thanks and appreciation to the Authority and its personnel for the cooperation given us during the course of our audit.

Sincerely,

ADELSON & COMPANY PC

September 16, 2024

## Comments and Recommendations

1. The Governmental Accounting Standards Board (GASB) has issued the following statements which will be effective for the Authority's fiscal year ending June 30, 2025:

- a. GASB No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The Authority's compensated absence policy allows employees to accrue and carry over vacation and sick time from year to year.

- b. GASB No. 102, *Certain Risk Disclosures*. The objective of this statement is to identify potential risks in governmental environments and develop disclosure requirements associated with information about risks related to a government's vulnerabilities due to certain concentrations or constraints. As a result of this statement, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

The Authority has an economic dependency on the Commonwealth of Massachusetts and the Federal government for operating subsidies.

### Recommendation:

Management of the Authority should familiarize themselves with GASB No. 101 and 102 in order to prepare for their implementation and the impact on the Authority's financial reporting for fiscal year 2025.

The Authority should include maintaining calculations of the compensated absence liabilities for sick and vacation time allowed to be carried over to subsequent fiscal years per GASB No. 101.

The Authority should also identify whether there are any other concentrations or constraints meeting the definitions per GASB No. 102 that would require disclosure in the financial statements, in addition to its economic dependency disclosure on the federal and state government for operating subsidies.

### Response:

The Authority will review GASB No 101 and 102 and adjust its processes as needed to comply with the new reporting guidelines.

## **Comments and Recommendations**

2. When the Authority acquires capital assets (fixed assets and inventory) with capital grant funds, the reimbursement from the capital grants are recorded to operating revenue accounts on the income statement, which requires the Authority to make a month end adjustment to reclassify the reimbursements to the appropriate capital subsidy accounts.

Recommendation:

The Authority should record the receipt of capital grant funds directly to the capital subsidy accounts, eliminating the monthly reclassification journal entry.

The Authority should also reconcile capital asset purchases to the capital subsidy accounts on a monthly basis to ensure all capital transactions are properly reported in the general ledger.

Response:

The Authority's bookkeeper will work with management to ensure capital funds are appropriately accounted for in the general ledger. The bookkeeper will also begin a monthly reconciliation of capital accounts.

3. The Authority receives capital contracts which are required to be spent on specific capital projects and purchases as approved in the scope of services.

During our review of the capital contracts, we noted that the scope of services was inconsistently maintained with the contracts, making it difficult to verify that the costs charged against the contracts were allowed.

Recommendation:

The Authority should maintain the scope of services with the associated contracts.

Response:

The Authority will maintain the scope of services with the associated contracts.

## **Status of Prior Year Recommendations**

1. As recommended, the Authority is providing guidance to Franklin Transit Management, Inc. in regard to financial reporting.
2. As recommended, the Authority updated authorized signers on the cash accounts.