



November 17, 2005

Richard H. Doyle
Regional Administrator
U.S. Department of Transportation
Federal Transit Administration
John Volpe Center
55 Broadway, Suite 920
Cambridge, MA. 02142

Dear Mr. Doyle:

Enclosed please find the PVTA's Further Response to the draft "Agreed Upon Procedures Review on PVTA" (the draft Report"). This Further Response contains three parts: (1) this letter, (2) Appendix A hereto, and (3) Appendix B hereto.

The additional information that you provided to PVTA through your letter of November 8, 2005, enabled PVTA to formulate this Further Response. However, as I explain below, we continue to find it impossible to respond fully or factually to certain elements of the draft Report's finding of "Material Weakness" without a more specific understanding of the rationale underlying the proposed finding. In order to provide FTA with a full, factual and complete response to the draft Report, we formally request an extension of time to complete our response to the draft Report pending receipt of the additional information that we believe is essential to our completion of this task.

The additional information that FTA provided through your November 8 letter identifies certain vendors by the grant and budget line item under which they were paid, and also provides "comments" that attempt to explain the rationale for finding certain expenditures ineligible for FTA reimbursement. Unfortunately these comments provide insufficient guidance beyond such broad statements as the activities were "outside the scope of grant," or that there was "no supporting documentation." PVTA has done its utmost to attempt to understand why these determinations were made, but with regard to certain of the vendors (e.g. Frederick R. Harris, Silktown Roofing and Safe Environment of America), the expenditures were of such a scale that it requires PVTA to read the minds of the FTA's auditors in order to understand the basis for their determination.

Since the information recently provided to us does not shed much light on why certain expenditures were determined ineligible, PVTA has made certain assumptions that may or may not be accurate. If we have misunderstood the basis for the finding of ineligibility, it is because we still do not have sufficient information from FTA explaining why its auditors made the findings they did, and we respectfully request your clarification so that we may provide a factual

Pioneer Valley Transit Authority address: 2808 Main Street, Springfield, MA 01107 phone: 413-732-6248 fax: 413-737-2954 web: www.pvta.com

response. In the meantime, we have prepared a line-by-line response to the material you have presented to us, which is attached hereto and incorporated herein as Appendix A. Please note that our uniform response to each of the items raised by FTA's auditors is twofold: first, all payments made to these vendors in connection with this Project were consistent with the eligibility guidelines as set forth in FTA Circular 9300.1A (Appendix B Paragraph 7), and second, PVTA provided FTA's auditors with ample supporting documentation for each invoice paid.

One comment recurs over and over again in the material we recently received: "activities performed outside scope of grant." PVTA assumes that this means that the expenditure in question was paid under a BLI code that was not applicable to that expenditure. For example, under Grant MA-03-0216, the only BLI code requested by PVTA was the 11.31.03 code (engineering and design). In retrospect, certain otherwise eligible expenditures for such project-related activities - tasks ranging from property acquisition and appraisal activities, to legal advice and services, to historic building redevelopment, to the creation of graphic and other marketing material to support the procurement of a joint development partner, to the development of a marketing and lease strategy for the intermodal station - appear to have been deemed ineligible because the BLI code was incorrect.

PVTA fully understands that it failed to properly seek timely FTA grant amendments in order to keep these billing codes current and accurate, and in my letter to you dated February 3, 2005 - well before this audit review commenced - I stated clearly that "PVTA acknowledges that it authorized certain Project expenditures prior to securing approval of a grant amendment and prior to receiving approval of budget revisions. While we took this action in a good faith effort to maintain progress and move forward on the Project, we recognize our error and apologize for it." Having acknowledged this issue nine months ago, we are disappointed that FTA has yet to work with us to correct this relatively minor grant administration error. All of the expenditures made by the vendors identified by FTA were for activities eligible under FTA Circular 9300.1A (Appendix B Paragraph 7) - a fact that FTA has never challenged. In fact, FTA notified PVTA in a letter dated March 21, 2004 that "PVTA has blanket pre-award authority to incur costs as outlined in FTA circular 9300.1A." (See attached letter). The mere fact that expenditures were made under an inappropriate billing code amounts to an accounting/grant administration error that we hope to resolve with FTA's assistance. To the extent that PVTA billed certain invoices to the wrong billing code or grant, PVTA hereby requests that FTA work with us to secure approval of appropriate grant and billing code amendments.

We are puzzled by the discrepancy between the information you have forwarded to us and the statement contained at page 8 of the draft Report regarding the alleged "use of FTA grant funds to pay for lobbying costs and to pay non-FTA project-related fees to the joint venture partner". These unsubstantiated allegations are not repeated anywhere in the "comments" section of the material you provided us on November 8, nor are they in any way accurate. The PVTA did not spend any Project funds for lobbying efforts. PVTA did on occasion provide briefings to elected federal and state officials who were interested in the progress of the Project, but those briefings were always in the nature of project updates and requests for assistance (for example, when PVTA encountered difficulties negotiating with CSX). There is simply no

support in any of the public records reviewed by FTA's auditors to support an accusation of lobbying, and we believe that the draft Report must be revised to reflect that simple fact.

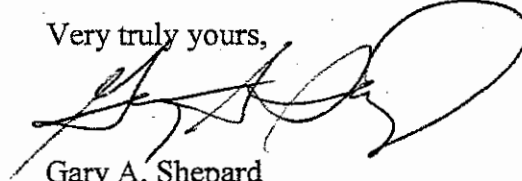
With respect to the allegation regarding payment of "non-FTA project-related fees to the joint venture partner", we must assume that this refers to the question whether expenditures under the Joint Development Agreement ("JDA") are eligible for FTA funding. Yet FTA has acted consistently in a manner that affirms that the JDA was a fully operative document that was reviewed and approved by FTA. Indeed FTA has never committed to writing a position on the JDA contrary to that. Moreover, you yourself as Regional FTA Administrator informed PVTA at our meeting in February of this year that the approval of the JDA was not something that FTA would challenge. We accepted your statement in good faith, and remain puzzled about the draft Report's findings with regard to payments made to the Project's joint development partner. As PVTA has previously explained in great detail, FTA's actions and consistent behavior over a nearly three year period prevent FTA from now asserting that expenditures made under the JDA - expenditures that were fully consistent with applicable FTA Joint Development eligibility guidelines - were not fully reimbursable. Appendix B to this Further Response, attached hereto and incorporated herein, includes a complete and detailed response to the question whether payments made under the JDA, including payments made to the joint development partner, are eligible for federal funding. Again, if we have misunderstood the rationale behind FTA's auditors' assertion that all payments to the joint development partner were ineligible, please point us in the proper direction so that we can provide FTA with an appropriate response.

FTA's consistent behavior in connection with the Project has been to encourage PVTA to move forward and spend federal funds in an effort to advance the redevelopment of Springfield Union Station. For example, at our meeting on April 30, 2003, FTA presented PVTA with a document outlining the various federal grant accounts and urged PVTA to expedite expenditures from those accounts. PVTA's presentation that day included specific discussion of a variety of activities by PVTA, the Springfield Redevelopment Authority and the Project's joint development partner in furtherance of the JDA. (Much of this information was repeated in a subsequent letter to you dated September 23, 2003.) FTA never mentioned any concerns about expenditures made under the JDA, nor did it express concern about inaccurate budget line item codes. It is difficult for PVTA to accept that at this eleventh hour, FTA intends to erase or ignore this well documented history and rely instead on the inaccurate, unsubstantiated findings of ineligibility made by its auditors.

Finally, PVTA cannot understand the facts underlying the claim by FTA's auditors that there was "no supporting documentation" for certain unidentified invoices. We have reviewed the public records provided to FTA's auditors and believe that every invoice paid by PVTA had supporting documentation that was complete and satisfactory. If FTA can provide PVTA with specific charges that it believes lacked supporting documentation, we will promptly research our files to provide that documentation to FTA and its auditors. If PVTA does not know which charges the auditors believed lacked this documentation, it is impossible for us to guess at what they mean, and impossible for us to provide FTA with a full and factual response to the draft Report.

I again request an extension of time in order to complete our response to the "Material Weakness" portion of the draft Report. The PVTA requires additional information to do so, and we hope to arrive at a mutually agreeable process for the release of the necessary information. I respectfully request your written confirmation that the FTA will not issue a final Report until such time as we are able to resolve the outstanding issues.

Very truly yours,



Gary A. Shepard
Administrator

Encls.