



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Single Audit Reports

Year ended June 30, 2011

(With Independent Auditors' Reports Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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**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***

The Governing Board
Alameda Corridor Transportation Authority:

We have audited the basic financial statements of the Alameda Corridor Transportation Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.



This report is intended solely for the information and use of management, the governing board, and others within the Authority, as well as federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 4, 2011



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**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control over Compliance in Accordance with OMB Circular A-133**

The Governing Board
Alameda Corridor Transportation Authority:

Compliance

We have audited the Alameda Corridor Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2011. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Alameda Corridor Transportation Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items F-2011-01.

Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items F-2011-01. 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated November 4, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Authority's governing board, the audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 4, 2011

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal agency/Program title</u>	<u>Grant/ Cooperative agreement numbers</u>	<u>Catalog of Federal Domestic Assistance number</u>	<u>Federal expenditures/ disbursements</u>
U.S. Department of Transportation: Passed through the California Department of Transportation SR47 Schuyler Heim Bridge and the expressway	07-4872 and 07-6246R	20.205	\$ <u>4,064,900</u>
Total expenditures of federal awards			\$ <u><u>4,064,900</u></u>

See accompanying notes to schedule of expenditures of federal awards and accompanying independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the Alameda Corridor Transportation Authority (the Authority).

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in note 2 to the basic financial statements of the Authority as of and for the year ended June 30, 2011.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(1) Summary of Auditors' Results

Financial Statements

The type of auditors' report issued on the financial statements: **Unqualified opinion**

Internal control over financial reporting:

- Material weaknesses identified in internal control over financial reporting: **None noted**
- Significant deficiencies identified in internal control over financial reporting that are not considered to be material weaknesses: **None reported**

Noncompliance that is material to the financial statements: **None noted**

Federal Awards

Internal control over major programs:

- Material weaknesses identified in internal control over major programs: **None noted**
- Significant deficiencies in internal control over major programs that are not considered to be material weaknesses: **F-2011-01**

The type of auditors' report issued on compliance for the major program: **Unqualified opinion**

Any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: **F-2011-01**

Identification of major program:

<u>CFDA number</u>	<u>Name of federal program</u>
CFDA number 20.205	U.S. Department of Transportation: Passed through the California Department of Transportation Pacific Coast Highway

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: No

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(3) Findings and Recommendations Relating to Federal Awards

Finding F-2011-01 Procurement and Suspension and Debarment – Suspension and Debarment Certifications

Federal Program Information

Federal Catalog Number: 20.205
Federal Program Name: SR 47 Schuyler Heim Bridge and Expressway
Federal Agency: U. S. Department of Transportation
Pass-Through Entity: California Department of Transportation
Federal Award Number and Award Year: 07-4872; 07-6246R (2009; 2010)

Criteria

Title 2 – *Grants and Agreements, Chapter II – Office of Management and Budget Circulars and Guidance, Part 215 – Uniform Administrative Requirements for Grants and Agreements with Subpart B – Pre-Award Requirements, Section 215.13, Debarment and suspension.*

Federal awarding agencies and recipients shall comply with Federal agency regulations implementing E.O.s 12549 and 12689, “*Debarment and Suspension.*” Under those regulations, certain parties who are debarred, suspended or otherwise excluded may not be participants or principals in federal assistance awards and subawards, and in certain contracts under those awards and subawards.

Condition and Context

In our procedures performed over the Authority’s procurement transactions, we selected a sample of expenditures that exceeded the small purchase threshold of \$25,000 and requested the Authority’s documentation to support that it either a) obtained a signed certification from the vendor of its nonsuspension or debarment or b) reviewed the epls.gov Web site and verified that the vendor had not been suspended or debarred. The Authority was unable to provide documentation to support that it had performed either for two of the four vendors that were sampled. However, we independently reviewed the vendor names from our sample on the epls.gov web site and did not find any of their names listed.

Exceptions related to \$411,000 of the total \$3,393,000 sampled out of the total \$4,065,000 program expenditures for the fiscal year ending June 30, 2011.

Questioned Costs

None

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Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Cause and Effect

The Authority does not appear to have adequate records retention policies and procedures to ensure that required documentation is retained as required for federal audit purposes.

Recommendation

The Authority should enhance its policies and procedures to ensure that required suspension and debarment checks are performed or certifications obtained and this documentation is retained for the required retention period to comply with federal requirements.

Views of Responsible Officials and Planned Corrective Actions

ACTA understands and abides by the regulations related to “Debarment and Suspension”. One of the contracts in question was awarded over fourteen years ago and the other was awarded over six years ago. The records related to the review of the proposals and subsequent awards have not been retained in our permanent records. Therefore, ACTA was unable to produce sufficient records to satisfy the audit inquiry.

ACTA has amended its policies and procedures to ensure that the required suspension and debarment checks are performed or certifications obtained and that the documentation is retained for the required retention period in order to comply with federal requirements.

ACTA plans to amend both contracts to include an appropriate debarment and suspension certification clause.