



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Single Audit Reports

Year ended June 30, 2013

(With Independent Auditors' Reports Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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Independent Auditors' 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, in accordance with the 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 basic financial statements of Alameda Corridor Transportation Authority (the Authority), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 opinion on the basic 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 control 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 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 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 basic 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 30, 2013



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Governing Board
Alameda Corridor Transportation Authority:

Report on Compliance for Each Major Federal Program

We have audited Alameda Corridor Transportation 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 the Authority's major federal program for the year ended June 30, 2013. The Authority's major federal program is 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.

Auditors' 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, Alameda Corridor Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management 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 each 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-001 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The 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.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated October 30, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 basic 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 16, 2013

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>Federal agency/program title</u>	<u>Catalog of Federal Domestic Assistance number</u>	<u>Grant/ Cooperative agreement numbers</u>	<u>Federal expenditures/ disbursements</u>
U.S. Department of Transportation: Highway Planning and Construction	20.205	07-6246R	\$ 403,587
Passed through the California Department of Transportation: Highway Planning and Construction	20.205	07-4914 and 07-4872	<u>3,663,993</u>
Total Highway Planning and Construction Cluster			<u>4,067,580</u>
Total expenditures of federal awards			\$ <u><u>4,067,580</u></u>

See accompanying notes to schedule of expenditures of federal awards and accompanying Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(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, 2013.

(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, 2013

(1) Summary of Auditors' Results

Financial Statements

The type of auditors' report issued on the financial statements: **Unmodified 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: **2013-001**

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

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

Identification of major program:

<u>CFDA number</u>	<u>Name of federal program</u>
20.205	U.S. Department of Transportation: Highway Planning and Construction Cluster

- 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: **Yes**

(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, 2013

(3) Findings and Recommendations Relating to Federal Awards

2013-001—Procurement and Suspension and Debarment – Suspension and Debarment Certifications

Federal Program Information

Federal Catalog Number: 20.205
Federal Program Name: Highway Planning and Construction
Federal Agency: U. S. Department of Transportation
Pass-Through Entity: California Department of Transportation
Federal Award Number and Award Year: 07-6246R, 07-4914 & 07-4872

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 it and its principals nonsuspension or debarment or b) reviewed the sam.gov website and verified that the vendor and its principals had not been suspended or debarred. The Authority was able to provide documentation to support that it had performed a review of all vendors, however, the Authority was unable to provide documentation that to support a review of the vendors principals for all 9 of the vendors, which is 100% of the population. However, we independently reviewed each vendor principals from our sample on the sam.gov website and did not find any of their names listed.

Questioned Costs

None

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.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

The Authority understands and abides by the regulations related to “Debarment and Suspension”. The regulations related to suspension and debarment were amended in March 2013 to include the principals of all contractors and vendors. The Authority did not have sufficient time to implement a new procedure related to the suspension and debarment of vendors’ principals prior to the fiscal year end. Therefore, the Authority was unable to produce sufficient records to satisfy the audit inquiry.

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

The Authority will amend all future contracts to include the appropriate debarment and suspension certification clause.