



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Single Audit Reports

Year ended June 30, 2005

(With Independent Auditors' Reports Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Single Audit Reports

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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
Carson, California:

We have audited the financial statements of Alameda Corridor Transportation Authority (the Authority) as of and for the year ended June 30, 2005, and have issued our report thereon, dated September 9, 2005. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 the Authority's 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Authority's governing board, its 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

September 9, 2005



KPMG LLP
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Los Angeles, CA 90071-1568

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Governing Board
Alameda Corridor Transportation Authority
Carson, California:

Compliance

We have audited the compliance of the Alameda Corridor Transportation Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Authority's major federal programs are 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 each of its major federal programs 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. 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 05-01 and 05-02.

Internal Control over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Findings 05-01 and 05-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe that none of the reportable conditions described above is a material weakness.

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, 2005, and have issued our report thereon, dated September 9, 2005. 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 the 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.

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

October 14, 2005, except as to the
schedule of expenditure of
federal awards, which is
as of September 9, 2005.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Federal agency/program title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal expenditures/ disbursements</u>
U.S. Department of Transportation:		
Transportation Safety Administration*	97.056	\$ 1,257,086
Pacific Coast Highway*	20.205	<u>3,095,859</u>
Total U.S. Department of Transportation		<u>4,352,945</u>
Total expenditures of federal awards		<u>\$ 4,352,945</u>

* Denotes major program.

See accompanying notes to Schedule of Expenditures of Federal Awards and accompanying Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(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 of the notes to the basic financial statements of the Authority as of and for the year ended June 30, 2005.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule 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, 2005

(1) Summary of Auditors' Results

Financial Statements

The type of auditor's report issued on the financial statements: **Unqualified opinion.**

Internal control over financial reporting:

- Material weaknesses identified in internal control over financial reporting: **None noted.**
- Reportable conditions identified in internal control over financial reporting that are not considered to be material weaknesses: **None noted.**

Noncompliance which 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.**
- Reportable conditions in internal control over major programs that are not considered to be material weaknesses: **Yes, see findings 05-01 and 05-02.**

The type of auditor's report issued on compliance for major programs: **Unqualified opinion**

Any audit findings which are required to be reported in accordance with Section 510(a) of Circular A-133: **Yes, see findings 05-01 and 05-02.**

Identification of major program:

<u>CFDA number</u>	<u>Name of federal program</u>
CFDA Number 20.205	U.S. Department of Transportation: Pacific Cost Highway
CFDA Number 97.056	U.S. Department of Homeland Security: Transportation Safety Administration

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, 2005

(3) Findings and Recommendations Relating to Federal Awards

Finding 05-01 – Inventory Equipment Management

Federal Agency: Department of Homeland Security, Transportation Safety Administration

Program: Port Security Grant Program

CFDA#: 97.056

Award numbers: DTSA20-03-G-01174 and HSTS04-04-G-GPS352

Specific Requirement: The A-102 Common Rule and OMB Circular A-133 require that equipment be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained (44 CFR13.32, (c)).

Condition: Detailed equipment records including the source of the funding of equipment were not maintained. In addition, the required physical inventory of equipment acquired under federal awards was not taken within the last two years.

Questioned Costs: None.

Systemic or Isolated: Systemic.

Effect: Lack of detailed equipment records and a timely and complete physical inventory of equipment indicate that the Authority is not in compliance with the federal grant guidelines.

Recommendation: Detailed information about equipment should be maintained and a physical inventory of equipment should be taken at least once every two years and reconciled to the equipment records.

Views of Responsible Officials and Planned Corrective Actions: Detailed equipment records, including the source of funding, will be created and maintained. A physical inventory of the equipment acquired with the federal grant funds will be completed by March 31, 2006.

Item 05-02 – Reporting

Federal Agency: Department of Homeland Security, Transportation Safety Administration

Program: Port Security Grant Program

CFDA #: 97.056

Award numbers: DTSA20-03-G-01174 and HSTS04-04-G-GPS352

Specific Requirement: The grant agreements require that status reports be submitted quarterly.

Condition: The Authority only submitted one status report for the period under audit. The status report submitted covered all quarters during the reporting period. The report was submitted and accepted by the federal agency providing oversight.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Questioned Costs: None.

Systemic or Isolated: Systemic.

Effect: Failure to submit required status reports indicates that the Authority is not in compliance with the federal grant guidelines.

Recommendation: The Authority should submit all required reports within the timelines established in the grant agreements and someone other than the preparer should review reports before they are submitted.

Views of Responsible Officials and Planned Corrective Actions: The project manager will provide appropriate oversight to ensure that all required reports are completed and submitted within the timelines established in the grant agreements.