



**ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY**

Single Audit Reports

Year ended June 30, 2007

(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  
Carson, California:

We have audited the basic financial statements of the Alameda Corridor Transportation Authority (the Authority) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing an 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be

material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

### **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

December 6, 2007



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## **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, 2007. 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, 2007.

### **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 the 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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Authority's internal control that might be 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.

#### **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, 2007, and have issued our report thereon, dated December 6, 2007. 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**

February 1, 2008, except for the  
Schedule of Expenditures of  
Federal Awards, which is as  
of December 6, 2007.

**ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<b>Federal agency/program title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal expenditures/ disbursements</b>
U.S. Department of Transportation: Passed through the California Department of Transportation Pacific Coast Highway*	20.205	\$ <u>598,237</u>
Total U.S. Department of Transportation		<u>598,237</u>
U.S. Department of Homeland Security: Transportation Safety Administration*	97.056	<u>131,365</u>
Total U.S. Department of Homeland Security		<u>131,365</u>
Total expenditures of federal awards		\$ <u><u>729,602</u></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, 2007

**(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, 2007.

**(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, 2007

**(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.**
- Significant deficiencies identified in internal control over financial reporting that are not considered to be material weaknesses: **Yes, see Item 2007-01.**

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.**
- Significant deficiencies in internal control over major programs that are not considered to be material weaknesses: **None noted.**

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 OMB Circular A-133: **None noted.**

Identification of major programs:

<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
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.**

**ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

**Item 2007-01: Financial Statement Presentation and Disclosure**

***Observation***

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiencies described below represent a significant deficiency in internal controls.

***Condition***

Management currently does not have processes or controls to determine that transactions are recorded and disclosed in accordance with U.S. generally accepted accounting principles.

***Cause***

During our audit and review of the financial statements of the Authority, we noted errors in the presentation and disclosure of these financial statements. These included improper initial reporting and/or disclosure of the following:

- Classification of net assets in the balance sheet
- Classification of certain expenditures and changes in net assets and the statement of cash flows
- Recording of purchases and sales of investments net on the statement of cash flows
- Recording of receivables for which the Authority does not have a legally enforceable claim.

***Recommendation***

We recommend that management implement processes and controls to determine that transactions are recorded and disclosed in accordance with U.S. generally accepted accounting principles.

***Management Response***

All appropriate financial statement reporting and disclosures were included in the final, audited Basic Financial Statements for June 30, 2007 and 2006. We have implemented the proper process and controls in order to determine that all transactions are recorded and disclosed in accordance with U.S. generally accepted accounting principles and have discussed those processes and controls with appropriate agency personnel.

**(3) Findings and Recommendations Relating to Federal Awards:**

None noted.