

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY**

Single Audit Report on  
Federal Awards

Year Ended June 30, 2012

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Single Audit Report on Federal Awards

Year Ended June 30, 2012

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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**

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2012, which collectively comprise OCTA's basic financial statements and have issued our report thereon dated October 29, 2012. 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

Management of OCTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered OCTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over financial reporting.

*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 a 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.

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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA'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*.

We noted certain matters that we reported to management of OCTA in a separate letter dated October 29, 2012.

This report is intended solely for the information and use of the Board of Directors, management of OCTA, 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.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California  
October 29, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Orange County Transportation Authority  
Orange, California

Compliance

We have audited the Orange County Transportation Authority's (OCTA) 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 each of OCTA's major federal programs for the year ended June 30, 2012. OCTA's major federal programs are identified in the summary of auditor's 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 OCTA's management. Our responsibility is to express an opinion on OCTA'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 OCTA'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 OCTA's compliance with those requirements.

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of OCTA 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 OCTA'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 OCTA'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.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 29, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise OCTA's financial statements. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management of OCTA, 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.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California  
December 14, 2012

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Identification Number</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b><u>U.S. Department of Transportation</u></b>				
Direct grants				
Federal Transit Cluster:				
Federal Transit Capital Investments Grants	20.500	CA-03-0709	\$ 649,291	\$ 315,534
Federal Transit Capital Investments Grants	20.500	CA-03-0754	114,523	-
Federal Transit Capital Investments Grants	20.500	CA-04-0180	257,758	257,758
Federal Transit Capital Investments Grants	20.500	CA-04-0122	3,444,966	3,444,966
Federal Transit Capital Investments Grants	20.500	CA-04-0165	725,000	725,000
Federal Transit Capital Investments Grants	20.500	CA-04-0078	1,056,284	1,056,284
Federal Transit Capital Investments Grants	20.500	CA-05-0261	2,619,000	2,619,000
Total Federal Transit Capital Investments Grants			<u>8,866,822</u>	<u>8,418,542</u>
Federal Transit Capital Formula Grants	20.507	CA-90-Y048	268,361	-
Federal Transit Capital Formula Grants	20.507	CA-90-Y349	1,098,367	1,098,367
Federal Transit Capital Formula Grants	20.507	CA-90-Y428	2,807,064	-
Federal Transit Capital Formula Grants	20.507	CA-90-X005	858,348	-
Federal Transit Capital Formula Grants	20.507	CA-90-Y540	11,474,332	-
Federal Transit Capital Formula Grants	20.507	CA-90-Y644	98,078	-
Federal Transit Capital Formula Grants	20.507	CA-95-X043	1	1
Federal Transit Capital Formula Grants	20.507	CA-95-X142	11,037,323	-
Federal Transit Capital Formula Grants	20.507	CA-95-X082	985,625	-
Federal Transit Capital Formula Grants	20.507	CA-90-Y697	6,753,325	580,408
Federal Transit Capital Formula Grants	20.507	CA-90-Y782	15,450,753	144,747
Federal Transit Capital Formula Grants	20.507	CA-90-Y860	19,075,197	588,211
Federal Transit Capital Formula Grants	20.507	CA-95-X131	888,401	888,401
Federal Transit Capital Formula Grants	20.507	CA-95-X180	1,610,372	1,046,513
Federal Transit Capital Formula Grants	20.507	CA-90-Y942	5,694,751	-
Total Federal Transit Capital Formula Grants			<u>78,100,298</u>	<u>4,346,648</u>
Total Federal Transit Cluster			<u>86,967,120</u>	<u>12,765,190</u>
Transit Services Program Cluster:				
Job Access Reverse Commute	20.516	CA-37-X113	907,234	865,354
New Freedom Program	20.521	CA-57-X038	1,083,683	1,051,453
Total Transit Services Program Cluster			<u>1,990,917</u>	<u>1,916,807</u>

See Note to Schedule of Expenditures of Federal Awards.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012 (continued)**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Identification Number</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b><u>U.S. Department of Transportation (continued)</u></b>				
Passed Through California Department of Transportation:				
Highway Planning and Construction:				
Tustin Rose RSTP	20.205	STPL-6071-(061)	14,024,919	-
SR 55 PSP/PDS RSTP	20.205	STPL-6071-(053)	373,183	-
Sand Canyon Grade Sep RSTP	20.205	STPL-6071-(059)	1,771,717	-
I-5 Avery Pkwy to Alicia	20.205	STPL-6071-(077)	434,838	-
SR 22 Widening for HOV Lanes	20.205	CMLN-6071(023)	200,000	-
SR 22 from I-405 to SR 55	20.205	CMLN-6071(035)	830,399	-
Kraemer Grade Separation	20.205	CMLN-6071(051)	5,221,031	-
Orangethorpe grade separation	20.205	CMLN-6071(060)	13,977,533	-
Lakeview grade separation	20.205	CMLN-6071(066)	610,629	-
I-5 from Ave Pico to South of Vista Hermosa	20.205	CMLN-6071(071)	829,870	-
I-5 from Vista Hermosa to PCH	20.205	CMLN-6071(072)	282,255	-
I-5 from PCH to San Juan Creek Road	20.205	CMLN-6071(073)	399,242	-
Total Highway Planning and Construction			<u>38,955,616</u>	<u>-</u>
Total U.S. Department of Transportation			<u>127,913,653</u>	<u>14,681,997</u>
<b><u>U.S. Department of Homeland Security</u></b>				
Passed Through State of California				
Office of Emergency Services :				
Rail and Transit Security Grant Program (TSGP):				
Emergency Management Training (2007 TSGP)	97.075	2007-RL-T7-K111	93,473	-
Transit Training for Frontline Personnel (2008 TSGP)	97.075	2008-RL-T8-K018	395,953	-
Holiday Surge (VIPER) (2009 TSGP)	97.075	2009-RA-T9-K014	11,913	-
On-Board Surveillance (2010 TSGP)	97.075	2010-RA-T0-K050	2,000,000	-
Total Rail And Transit Security Grant Program			<u>2,501,339</u>	<u>-</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed Through County of Orange				
Community Services Agency:				
Supportive Services and Senior Centers Grants	93.044	22-0203	(862)	-
<b>Total Expenditures of Federal Awards</b>			<u>\$ 130,414,130</u>	<u>\$ 14,681,997</u>

See Note to Schedule of Expenditures of Federal Awards.



**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

**A. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by OCTA that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by OCTA from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**B. Basis of Accounting**

Funds received under the various grant programs have been recorded within the general fund, special revenue, capital projects and enterprise funds of OCTA. OCTA utilizes the modified accrual method of accounting for governmental funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

**C. Subrecipients**

OCTA made payments to subrecipients totaling \$14,681,997 during the fiscal year ended June 30, 2012.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.500 and 20.507</u>	<u>Federal Transit Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>97.075</u>	<u>Rail and Transit Security Grant Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**II. FINANCIAL STATEMENT FINDINGS**

None reported.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

**Financial Statements Finding**

2011-01 Compensated Absence  
2011-02 Period of Availability

**Status**

Implemented  
Implemented

**Federal Awards Finding**

2011-03 Subrecipient Monitoring and Special Tests and Provisions

**Status**

Implemented