

**VENTURA COUNTY
TRANSPORTATION COMMISSION**

**SINGLE AUDIT REPORT ON
FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2010

VENTURA COUNTY TRANSPORTATION COMMISSION

SINGLE AUDIT REPORT ON FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

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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 Commissioners
Ventura County Transportation Commission
Ventura, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ventura County Transportation Commission (the Commission) as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 15, 2010. 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 Commission'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 the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commission'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 the Commission in a separate letter dated November 15, 2010.

This report is intended solely for the information and use of the Board of Commissioners and management of the Commission, 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.

Vavinich, Train, Day & Co., LLP

Rancho Cucamonga, California
November 15, 2010



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

Board of Commissioners
Ventura County Transportation Commission
Ventura, California

Compliance

We have audited the Ventura County Transportation Commission's (the Commission) 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 the Commission's major federal programs for the year ended June 30, 2010. The Commission'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 the Commission's management. Our responsibility is to express an opinion on the Commission'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 Commission'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 Commission's compliance with those requirements.

In our opinion, the Commission 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, 2010. 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 2010-1 through 2010-3.

Internal Control Over Compliance

Management of the Commission 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 Commission'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 Commission'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 2010-1 through 2010-3. *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 governmental activities and each major fund of the Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Commission's basic 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 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 Commission'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 Commission's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Commissioners, management of the Commission, 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.



Rancho Cucamonga, California
November 15, 2010

VENTURA COUNTY TRANSPORTATION COMMISSION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Federal Financial Assistance Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation				
Direct Assistance:				
Formula Grants - Urbanized Area Formula Program	20.507	CA-04-X016	\$ (578)	\$ (578)
Formula Grants - Urbanized Area Formula Program	20.507	CA-26-X055	84,145	-
Formula Grants - Urbanized Area Formula Program	20.507	CA-37-X094	53,821	53,118
Formula Grants - Urbanized Area Formula Program	20.507	CA-37-X108	119,455	-
Formula Grants - Urbanized Area Formula Program	20.507	CA-50-X226	519,444	519,444
Formula Grants - Urbanized Area Formula Program	20.507	CA-57-X016	48,867	48,867
Formula Grants - Urbanized Area Formula Program	20.507	CA-57-X028	12,150	-
Formula Grants - Urbanized Area Formula Program	20.507	CA-57-X036	37,955	37,955
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y177	47,971	-
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y253	19,331	19,331
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y365	7,112	-
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y399	41,740	41,740
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y522	57,391	55,150
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y611	1,857,299	31,277
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y737	2,571,585	234,240
Formula Grants - Urbanized Area Formula Program	20.507	CA-90-Y803	1,235,582	581,490
Formula Grants - Urbanized Area Formula Program	20.507	CA-95-X007	6,327	6,327
Formula Grants - Urbanized Area Formula Program	20.507	CA-95-X044	1,147	-
Formula Grants - Urbanized Area Formula Program	20.507	CA-95-X107	146,618	-
ARRA - Formula Grants - Urbanized Area Formula Program	20.507	CA-96-X020	248,537	248,537
		Sub-total	<u>7,115,899</u>	<u>1,876,898</u>
Federal Railroad Administration				
High Speed Ground Transportation - Next Generation High Speed Rail Program	20.312	75LX106	3,433	-
Passed through the State of California				
Department of Transportation:				
Highway Planning and Construction:				
Rideshare Grant	20.205	CMLG-6155(071)	259,186	-
Santa Paula Mill and Depot	20.205	RPSTPLE-6155(057)	903,796	-
Lewis Road Project	20.205	RPSTPLE-6155(055)	10,091,768	9,651,902
		Sub-total	<u>11,254,750</u>	<u>9,651,902</u>
Total U.S. Department of Transportation			<u>18,374,082</u>	<u>11,528,800</u>
Total Federal Expenditures			<u>\$ 18,374,082</u>	<u>\$ 11,528,800</u>

See Notes to Schedule of Expenditures of Federal Awards.

VENTURA COUNTY TRANSPORTATION COMMISSION

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

NOTE 1 – BASIS OF PRESENTATION

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Ventura County Transportation Commission (Commission) 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 the Commission 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

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the Commission becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

C. Subrecipients

During the fiscal year ended June 30, 2010, the Commission provided \$11,528,800 in federal awards to subrecipients.

VENTURA COUNTY TRANSPORTATION COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

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>Yes</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)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.507, 20.507 (ARRA)</u>	<u>Federal Transit - Formula Grants (includes ARRA)</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 551,222</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

VENTURA COUNTY TRANSPORTATION COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

II. FINANCIAL STATEMENT FINDINGS

None Noted

VENTURA COUNTY TRANSPORTATION COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2010-1

Program: Formula Grants – Urbanized Area Formula Program, ARRA Formula Grants – Urbanized Area Formula Program

CFDA No.: 20.507, 20.507 (ARRA)

Federal Agency: U.S. Department of Transportation

Passed-through: Not Applicable

Award Number: Various

Award Year: Fiscal Year 2009-2010

Compliance Requirement: Subrecipient Monitoring, Special Tests & Provisions

Criteria:

The *June 2010 OMB Circular A-133 Compliance Supplement* requires that pass-through entities separately identify the following to each subrecipient at the time of subaward and disbursement of American Recovery and Reinvestment Act (ARRA) funds:

- 1) Federal Award Number,
- 2) CFDA number,
- 3) Amount of ARRA funds and
- 4) That the subrecipient is required to provide appropriate identification in their SEFA and federal data collection form.

Condition Found:

Significant Deficiency - Instance of Non-compliance – As a result of our test work over the Special Tests & Provisions, we noted that Commission provided a subaward of ARRA funding to a subrecipient in the amount of \$245,514. The cooperative agreement between the Commission and the subrecipient did not contain the federal award number, CFDA number or state that the entity is required to provide appropriate identification in the SEFA and federal data collection form.

Questioned Costs:

None

Context:

The condition noted above was identified during our examination of the Commission’s pass-through agreement with the subrecipient.

Effect:

There is an increased risk of noncompliance with the special tests and provisions and subrecipient requirements identified in the *June 2010 OMB Circular A-133 Compliance Supplement*.

VENTURA COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

The Commission's procedures did not ensure that the requirements contained in the special tests and provisions and subrecipient monitoring sections of the *June 2010 OMB Circular A-133 Compliance Supplement* were communicated in the cooperative agreements.

Recommendation:

We recommend VCTC strengthen its policies and procedures to ensure that the special tests and provisions requirements related to ARRA funding are documented in the pass-through agreement and at the time of disbursement.

Views of Responsible Officials and Planned Corrective Actions:

The Commission has developed a form which in the future shall be used to formally notify subrecipients of grant FTA awards. At the time of transmitting this form to subrecipients, VCTC will also include a copy of the approved grant and FTA award letter. This award notification form and copy of the grant, when transmitted to the subrecipients, will provide the required information for ARRA including the amount of award, federal awarding agency, federal award number, CFDA number, and grant requirements.

Finding 2010-2

Program: Formula Grants – Urbanized Area Formula Program, ARRA Formula Grants – Urbanized Area Formula Program

CFDA No.: 20.507, 20.507 (ARRA)

Federal Agency: U.S. Department of Transportation

Passed-through: Not Applicable

Award Number: Various

Award Year: Fiscal Year 2009-2010

Compliance Requirement: Subrecipient Monitoring

Criteria:

The *June 2010 OMB Circular A-133 Subrecipient Monitoring Compliance Supplement* requires a pass-through entity to be responsible for:

- 1) *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- 2) *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

VENTURA COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- 3) *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of *OMB Circular A-133* and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

Condition Found:

Significant Deficiency - Instance of Non-compliance – As a result of our test work over subrecipient monitoring, we noted that one of the Commissions subrecipients received significant deficiencies in its prior year Single Audit Report due to adjustments related to grant accounting; however, the Commission did not document its review of the Single Audit Report, issue a management decision on the audit findings and ensure that the subrecipient takes timely and appropriate corrective action of all audit findings.

We also noted that the Commission’s Cooperative Agreements did not disclose the CFDA title and number; amount of award; award name; and name of Federal awarding agency in the pass-through agreement with the subrecipient.

Questioned Costs:

None

Context:

The condition noted above was identified during our examination of the VCTC’s contracts/agreements and monitoring files with subrecipients.

Effect:

There is an increased risk of noncompliance with the subrecipient monitoring requirements identified in the *June 2010 OMB Circular A-133 Compliance Supplement*.

Cause:

The Commission’s procedures did not ensure that the requirements contained in the subrecipient monitoring section of the *June 2010 OMB Circular A-133 Compliance Supplement* were communicated to the subrecipient. Further, the Commission’s procedures did not document that single audit reports were obtained and reviewed with appropriate follow-up from all subrecipients.

Recommendation:

We recommend that the Commission strengthen its policies and procedures related to subrecipient monitoring requirements in accordance with *OMB Circular A-133*.

VENTURA COUNTY TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Planned Corrective Actions:

The Commission has developed a form which in the future shall be used to formally notify subrecipients of grant FTA awards. At the time of transmitting this form to subrecipients, VCTC will also include a copy of the approved grant and FTA award letter. This award notification form and copy of the grant, when transmitted to the subrecipients, will provide the required information for ARRA including the amount of award, awarding federal agency name, federal award number, and CFDA number.

Subsequent to the 2009/10 fiscal year close, the Commission designated a staff person to be the Monitoring Manager, and developed a revised Grant Management Procedure to reflect the additional monitoring to be performed by the Monitoring Manager. The revised Grant Management Procedure addresses the review of subrecipient audit findings, as part of the duties of the Monitoring Manager. The Monitoring Manager will keep appropriate records documenting the monitoring of grants.

Finding 2010-3

Program: Highway Planning and Construction

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed-through: California Department of Transportation

Award Number: Various

Award Year: Fiscal Year 2009-2010

Compliance Requirement: Subrecipient Monitoring

Criteria:

The *June 2010 OMB Circular A-133 Subrecipient Monitoring Compliance Supplement* requires a pass-through entity to be responsible for:

- 1) *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- 2) *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- 3) *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of *OMB Circular A-133* and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

VENTURA COUNTY TRANSPORTATION COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition Found:

Significant Deficiency - Instance of Non-compliance – As a result of our test work over subrecipient monitoring, we noted that the Commission’s Cooperative Agreements did not disclose the CFDA title and number; amount of award and award name in the pass-through agreement with the subrecipient.

It was also noted that the Commission did not maintain documentation of its receipt and review of the subrecipient’s single audit report.

Questioned Costs:

None

Context:

The condition noted above was identified during our examination of the VCTC’s contracts/agreements and monitoring files with subrecipients.

Effect:

There is an increased risk of noncompliance with the subrecipient monitoring requirements identified in the *June 2010 OMB Circular A-133 Compliance Supplement*.

Cause:

The Commission’s procedures did not ensure that the requirements contained in the subrecipient monitoring section of the *June 2010 OMB Circular A-133 Compliance Supplement* were communicated to the subrecipient. Further, the Commission’s procedures did not document that single audit reports were obtained and reviewed with appropriate follow-up from all subrecipients.

Recommendation:

We recommend that the Commission strengthen its policies and procedures related to subrecipient monitoring requirements in accordance with *OMB Circular A-133*.

Views of Responsible Officials and Planned Corrective Actions:

Subsequent to the 2009/10 fiscal year close, the Commission designated a staff person to be the Monitoring Manager, and developed a revised Grant Management Procedure to reflect the additional monitoring to be performed by the Monitoring Manager. The revised Grant Management Procedure addresses the review of subrecipient audit findings, as part of the duties of the Monitoring Manager. The Monitoring Manager will keep appropriate records documenting the monitoring of grants.

VENTURA COUNTY TRANSPORTATION COMMISSION

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

Prior Year Findings

2009-1 Financial Management System

Status

A new accounting system has not been implemented but management asserts that it is still in the process of evaluating options. During fiscal year 2010, the Commission implemented additional procedures with regard to financial reporting within Peachtree (the accounting system). These procedures included a revision to the Commission's chart of accounts to allow for program budgets and the tracking of financial information by general ledger account, fund, project and project manager. Capital assets continues to be tracked outside of the Peachtree accounting system in Excel.