

# Southern California Regional Rail Authority

Compliance Report  
Year Ended June 30, 2012

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**Southern California Regional Rail Authority**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
<b>U.S. Department of Transportation:</b>			
Direct Programs:			
High Speed Ground Transportation—Next Generation High Speed Rail Program	20.312	DTFR53-05-H-00202	\$ 191,333
Job Access Reverse Commute	20.516	CA37X068	(182,389)
Public Transportation Research	20.514	CA260049	248,051
Railroad Safety Technology Grants	20.321	FR-TEC-0004-11-01-00	1,073,303
Federal Transit Cluster			
Federal Transit, Capital Investment Grants	20.500*	CA030662	525
Federal Transit, Capital Investment Grants	20.500*	CA030747	32,733
Federal Transit, Capital Investment Grants	20.500*	CA050205	(13,367)
Federal Transit, Capital Investment Grants	20.500*	CA050208	94,868
Federal Transit, Capital Investment Grants	20.500*	CA050223	73,166
Federal Transit, Capital Investment Grants	20.500*	CA050235	11,971,886
Federal Transit, Capital Investment Grants	20.500*	CA050258	172,500
Federal Transit, Capital Investment Grants	20.500*	CA040045	(3,042)
<b>Total Federal Transit, Capital Investment Grants</b>			12,329,269
Federal Transit, Formula Grants	20.507*	CA90Y412	5,682
Federal Transit, Formula Grants	20.507*	CA90Y489	(511)
Federal Transit, Formula Grants	20.507*	CA90Y579	32,216
Federal Transit, Formula Grants	20.507*	CA90Y608	232,493
Federal Transit, Formula Grants	20.507*	CA90Y687	895,157
Federal Transit, Formula Grants	20.507*	CA90Y323	244,000
Federal Transit, Formula Grants	20.507*	CA909908	217,784
Federal Transit, Formula Grants	20.507*	CA90Y934	2,449
ARRA—Federal Transit, Formula Grants	ARRA—20.507*	ARRA CA96X046	940,865
ARRA—Federal Transit, Formula Grants	ARRA—20.507*	ARRA CA66X017	629,389
Pass through the Orange County Transportation Authority:			
Federal Transit, Formula Grants	20.507*	CA90Y349	162,730
Federal Transit, Formula Grants	20.507*	CA90Y697	10,108,269
Federal Transit, Formula Grants	20.507*	CA90Y860	2,159,868
Federal Transit, Formula Grants	20.507*	FR-HSR-0036-11-01-00	1,377,831
<b>Total Federal Transit, Formula Grants</b>			17,008,221
<b>Total Federal Transit Cluster</b>			29,337,490
Pass through the California Department of Transportation:			
Capital Assistance to States—Intercity Passenger Rail Service	20.317*	75FRA0007	2,175,966

\* Denotes major program

(Continued)

**Southern California Regional Rail Authority**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
Pass through the California Department of Transportation:			
Railroad Safety	20.301	75LX102	\$ 251,890
Railroad Safety	20.301	75LX076	(899)
Railroad Safety	20.301	75LX104	884,663
<b>Total Railroad Safety</b>			<u>1,135,654</u>
<b>Total U.S. Department of Transportation</b>			<u><b>33,979,409</b></u>
<b>U.S. Department of Homeland Security:</b>			
Pass through the California Emergency Management Agency:			
Rail and Transit Security Grant Program	97.075*	2007-RL-T7-K001	632,743
Rail and Transit Security Grant Program	97.075*	2008-RL-T8-K018	183,208
Rail and Transit Security Grant Program	97.075*	2006-RL-T6-K001	17,042
Rail and Transit Security Grant Program	97.075*	2007-RL-T7-K111	693,244
<b>Total Rail and Transit Security Grant Program</b>			<u>1,526,237</u>
Direct Programs:			
Disaster Grants—Public Assistance	97.036	2009-RA-T9-K005	100,899
Disaster Grants—Public Assistance	97.036	2010-RA-TO-K017	386,541
<b>Total Disaster Grants—Public Assistance</b>			<u>487,440</u>
<b>Total U.S. Department of Homeland Security</b>			<u><b>2,013,677</b></u>
<b>Total expenditures of federal awards</b>			<u><u><b>\$ 35,993,085</b></u></u>

\* Denotes major program

See Notes to Schedule of Expenditures of Federal Awards.

## Southern California Regional Rail Authority

### Notes to the Schedule of Expenditures of Federal Awards

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal grant activity of the Southern California Regional Rail Authority (the Authority) under programs of the federal government for the year ended June 30, 2012. The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other agencies. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Authority. The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures on the accompanying Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years. Pass-through entity identifying numbers are presented where available.

#### **Note 3. Subrecipients**

Of the federal expenditures presented in the Schedule, the Authority did not provide any federal awards to subrecipients for the fiscal year ended June 30, 2012.



**Independent Auditor's 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**

To the Board of Directors  
Southern California Regional Rail Authority  
Los Angeles, CA

We have audited the basic financial statements of the Southern California Regional Rail Authority (the Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 18, 2013. 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 the Authority is responsible for establishing and maintaining effective 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 our 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items #2012-1 and #2012-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item #2012-3 to be a significant deficiency.

## 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 18, 2013.

The Authority'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 Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, the Executive Management and Audit Committee, management, 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.

A handwritten signature in cursive script that reads "McGladrey LLP".

Irvine, CA  
March 18, 2013



**Independent Auditor's 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**

To the Board of Directors  
Southern California Regional Rail Authority  
Los Angeles, CA

### **Compliance**

We have audited the Southern California Regional Rail Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Authority'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 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 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**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 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 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 a combination of deficiencies, in internal control over compliance, such that there is 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 Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated March 18, 2013, which contained an unqualified 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, but 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 other 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, the Executive Management and Audit Committee, management, 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.

*McGladrey LLP*

Irvine, CA  
March 18, 2013

**Southern California Regional Rail Authority**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**I. Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency identified that is not considered to be a material weakness?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.500 & 20.507 20.317	Federal Transit Cluster Capital Assistance to States—Intercity Passenger Rail Service
97.075	Rail and Transit Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,079,793

Auditee qualified as low-risk auditee?  Yes  No

## Southern California Regional Rail Authority

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

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#### II. Financial Statement Findings

##### A. Internal Control Deficiencies

###### #2012-1—Timely Reconciliation and Review of Accounts

**Criteria:** Procedures should be in place to ensure that timely and complete monthly general ledger account reconciliations and closing procedures take place and are reviewed and approved by someone not involved in the reconciliation or closing process. The account reconciliation and closing processes are necessary components of a strong internal control environment.

**Condition:** The bank and accounts payable reconciliations reviewed during planning in July 2012 for both April and May 2012 had not been reviewed by the general accounting manager. Additionally, during the year-end audit process, it was found that several of the significant account balances recorded in the general ledger did not agree to the supporting schedules provided by the Authority, nor were they provided and/or reviewed in a timely manner. The significant account balances not reconciled to detailed supporting schedules include inventory, capital assets, accrued receivables, bad debt reserve and deferred revenue.

**Cause:** These issues were systemic, as personnel within the Finance Department were not following policies and procedures.

**Effect:** The lack of timely general ledger account reconciliations may cause significant errors in the financial records and financial statements, as well as allow for possible irregularities, including fraud, to exist and continue without being noticed. This could also cause management to rely on inaccurate financial information for decision making purposes.

**Recommendation:** To help provide more accurate, complete and timely financial information, we recommend the Authority establish more comprehensive general ledger account reconciliation policies and procedures as part of its monthly close process, which could include the following:

- Complete monthly reconciliations of all material general ledger accounts, quarterly reconciliations for less material accounts, as determined, with established deadlines and personnel responsibilities
- Supporting documentation for routine and nonroutine account adjustments as determined during the reconciliation process
- Review and approval by the appropriate manager of all monthly general ledger account reconciliations and journal entries before journal entries are posted
- Investigate and understand why variances exist, and establish a plan to improve processes to eliminate such variances

This list is not all-inclusive and there may be additional policies or procedures that the Authority determines critical for implementation in order to remedy this deficiency.

## Southern California Regional Rail Authority

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

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**View of responsible officials and planned corrective action:** Management concurs. The Finance Department experienced significant turnover in key positions. The hiring of new staff resulted in a longer-than-expected learning curve, which delayed critical components of the monthly close process. As part of the monthly close process, management will institute formal guidelines detailing an appropriate timeline for the completion of reconciliations and formal review and approval by the general accounting manager. A summary of the guidelines is as follows: All reconciliations are expected to be completed no later than 10 business days after the month-end close. All manager reviews and approvals are expected to be completed no later than three (3) business days after receipt of completed reconciliation, further noted by appropriate staff and manager sign-off. A GL account status checklist will be established to notate the reconciliations required and completion status. The checklist will notate the staff responsible for reconciliation, the date submitted for manager review and the date of the general accounting manager's sign-off. The checklist will be controlled and updated by the general accounting manager. On a quarterly basis, the general accounting manager will submit the GL account status checklist to the director of finance for final status review to ensure all account activity has been reviewed and reconciled on a timely basis.

#### **#2012-2—Accrued Receivables and Billing Process**

**Criteria:** The accrued receivables account is used to record expenditures incurred on eligible projects that have not yet been paid to the Authority's vendors. Once the vendor has been paid, the accrued receivable balance is reversed and subsequently billed to the appropriate agency for reimbursement or the amount of expenditures incurred is applied against outstanding deferred revenue balances to recognize the revenue.

**Condition:** There is a significant delay in the billing process for amounts recorded in the accrued receivables account balance. As of June 30, 2012, there was approximately \$38 million recorded for accrued receivables prior to adjustment. The majority of this balance had not been billed to the appropriate agencies as of the end of January 2013. Additionally, there were amounts included in the accrued receivables balance that should have been recognized against the deferred revenue balances recorded as of year-end. This resulted in an adjustment to the general ledger of approximately \$2,800,000.

**Cause:** These issues were systemic, as personnel within the Finance Department were not following policies and procedures.

**Effect:** The delay in billing accrued receivables causes further delays in the Authority collecting on amounts owed to it. This could cause a cash flow problem, as the Authority is dependent on timely funding from these agencies that are responsible for project costs.

**Recommendation:** We recommend that the Authority establish policies and procedures as a part of the monthly close process to reconcile this balance and bill the appropriate agencies in a timely manner in order to collect funds owed to the Authority. As part of the monthly close process, Finance Department staff should prepare all necessary invoicing for amounts owed to the Authority on eligible projects. The invoices should be reviewed and approved by the grants administration and fiscal management manager for completeness, accuracy and appropriateness before issuance. The review of aging of accounts receivable and timely follow-up should also be part of the month-end close process.

## Southern California Regional Rail Authority

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

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**View of responsible officials and planned corrective action:** Management concurs. Similar to the first finding, due to the turnover in key positions within the Finance Department, the Authority experienced longer-than-anticipated vacancies in critical areas of the department. The subsequent hiring of new temporary and permanent staff resulted in longer-than-expected learning curves, which delayed critical components of the reconciliation and billing process. As part of the monthly billing activity, revenue recognition against deferred revenue balances will be processed timely. As part of the monthly close process, a schedule will be developed that lists by customer and total accrued receivables, further notated by amounts deemed ineligible for billing (i.e., unpaid retention, unapproved indirect costs, etc.). Staff will be required to invoice all unbilled accounts receivable from the prior month within 10 days of the month-end close. The grants administration and fiscal management manager will prepare a monthly status schedule of all required billing, by customer, noting the invoice date, staff responsible for billing and collection status. This accounts receivable status will be updated on a weekly basis after the initial billings for the month have been generated. The grants administration and fiscal management manager will provide an update as to the status of the billings that have not been completed and a status of the resulting accounts receivable if an invoice has been processed. On a bi-weekly basis, the grants administration and fiscal management manager will provide the status of all receivables to the director of finance for review, approval and appropriate follow-up.

#### **#2012-3—Capital Assets Recording and Record Keeping**

**Criteria:** Due to the significant balance of capital assets, records should be reconciled and reviewed by the Finance Department on a quarterly basis to include all current year transactions.

**Condition:** There were several matters noted relating to the Authority's capital assets, which in conjunction constitute a significant deficiency. They include:

- Formula errors in calculating depreciation expense for current year facility additions, which resulted in an adjustment to decrease depreciation by approximately \$1,600,000 in the financial statements.
- An adjustment from construction-in-process (CIP) to rolling stock for approximately \$54,000,000 to capitalize rolling stock that was placed into service during the year ended June 30, 2012.
- A facility project that was closed out in June 2011, but was not capitalized into capital assets until the year ended June 30, 2012. This resulted in approximately \$27,000 of depreciation expense that should have been recorded for the year ended June 30, 2011.
- Infrastructure additions of approximately \$600,000 that were incorrectly capitalized. The Authority has met the requirements under Governmental Accounting Standards Board Statement No. 34 to report infrastructure using the modified approach. Additions are only capitalized if they increase capacity or efficiency of those assets (rather than preserve the useful life). The additions noted did not meet the requirements under the modified approach to be capitalized.

**Cause:** These issues were systemic, as personnel within the Finance Department were not following policies and procedures. Errors were found due to the use of Excel spreadsheets to maintain capital asset balances and depreciation expense.

## Southern California Regional Rail Authority

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

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**Effect:** This could result in inaccurate interim financial statements and the potential for material errors within the capital assets schedule. Additionally, this could also cause management to rely on inaccurate financial information for decision making purposes.

**Recommendation:** We recommend the Authority utilize its accounting system in order to record capital assets, rather than Excel spreadsheets, as the system is designed to accumulate asset cost and calculate depreciation expense. This will eliminate a significant amount of record keeping duties, make operations more efficient, provide more accurate information and reduce potential of human error. On a quarterly basis, the general accounting manager should meet with the applicable project managers (PMs) to update the status of CIP projects. After each quarterly meeting, the capital asset records should be updated for any projects that have been completed and depreciation should commence. The detailed capital asset records should then be reconciled with the general ledger at least quarterly.

**View of responsible officials and planned corrective action:** Management concurs. Similar to the first finding, due to the turnover in key positions within the Finance Department, the Authority experienced longer-than-anticipated vacancies in critical areas of the department. The subsequent hiring of new staff resulted in longer-than-expected learning curves, which delayed critical components of the ongoing reconciliation processes within Finance. As part of Phase 2 of the Oracle R12 implementation (Phase 1 is anticipated to be completed in May 2013), the Oracle Capital Asset module will be implemented and will become the capital asset system of record. All capital asset data currently contained in Excel spreadsheets will be validated as to accuracy and uploaded to the Oracle financial system. Prior to the conversion, staff responsible for updating the capital asset spreadsheets will perform an analysis of all formulas noted in the capital asset Excel workbook by preparing a print-out of each worksheet with the applicable formula visible for review and approval by the general accounting manager. Once the general accounting manager has reviewed all formulas contained in the workbook, a password will be established to lock access to formula changes. Changes to the formulas will only be made and updated by the general accounting manager. This is a temporary solution to the ultimate goal of converting capital asset management to the Oracle system.

#### **B. Compliance Findings**

None reported.

### **III. Findings and Questioned Costs for Federal Awards**

#### **A. Internal Control Deficiencies**

None reported.

#### **B. Compliance Findings**

None reported.

**Southern California Regional Rail Authority**

**Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2012**

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**I. Financial Statement Findings**

**Internal Control Deficiencies**

**#2011-1—Documentation for Unusual Transactions**

**Criteria:** The Authority is responsible for implementing and maintaining an effective system of internal controls over financial reporting. This includes establishing policies and procedures that enable the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

**Condition:** The Authority does not have a formal policy in place to document unusual and/or significant transactions.

**Current status:** The Authority has developed policies and procedures to address unusual and/or significant transactions as of January 2013.

**II. Findings and Questioned Costs for Federal Awards**

None reported.