

Southern California Association of Governments

Single Audit Report

Year ended June 30, 2019

With Report of Independent Auditors



**SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS**

Single Audit Report on Federal Awards

Year Ended June 30, 2019

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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*

The Honorable Members of the Regional Council
Southern California Association of Governments

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments (SCAG), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SCAG’s basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCAG’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCAG’s internal control. Accordingly, we do not express an opinion on the effectiveness of SCAG’s internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCAG's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California

December 13, 2019



Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Members of the Regional Council
Southern California Association of Governments

Report on Compliance for Each Major Federal Program

We have audited the Southern California Association of Governments’ (SCAG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SCAG’s major federal programs for the year ended June 30, 2019. SCAG’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of SCAG’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 SCAG’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 on compliance for each major federal program. However, our audit does not provide a legal determination of SCAG’s compliance.

Opinion on Each Major Federal Program

In our opinion, SCAG complied, in all material respects, with the types of 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, 2019.

Report on Internal Control over Compliance

Management of SCAG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SCAG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 SCAG's internal control over compliance.

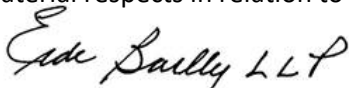
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SCAG, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SCAG's basic financial statements. We issued our report thereon dated December 13, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Eric Sully LLP

Rancho Cucamonga, California
December 13, 2019

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor / Pass-through Grantor / Program title	Federal CFDA Number	Program / Project Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
Passed through the California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction:				
Federal Highway Administration (FHWA)	20.205	17OWPSCAG	\$ 20,197,204	\$ -
FHWA Partnership Planning	20.205	17OWPSCAG	291,325	-
FHWA ATP II	20.205	6049 (18)	416,697	46,691
Subtotal - Highway Planning and Construction Cluster			<u>20,905,226</u>	<u>46,691</u>
Federal Transit Cluster:				
Bus and Bus Facilities Formula Program - FTA 5339	20.526	CA-34-0019-00	1,157,012	1,157,012
Subtotal - Federal Transit Cluster			<u>1,157,012</u>	<u>1,157,012</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research:				
FTA 5303 Transit Technical Studies Grants	20.505	17OWPSCAG	6,220,125	76,951
FTA 5304 Discretionary Grants	20.505	17OWPSCAG	439,990	-
Subtotal - Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			<u>6,660,115</u>	<u>76,951</u>
Public Transportation Research - FTA 5312	20.514	1615-2016-1	978,566	967,638
Subtotal - California Department of Transportation			<u>29,700,919</u>	<u>2,248,292</u>
Passed through the California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety:				
Active Transportation Safety and Encouragement Campaign	20.600	PS180322	691,230	-
Active Transportation Safety and Encouragement Campaign	20.600	PS19022	164,728	-
Subtotal - Highway Safety Cluster:			<u>855,958</u>	<u>-</u>
Subtotal - California Office of Traffic Safety			<u>855,958</u>	<u>-</u>
Subtotal - U.S. Department of Transportation			<u>30,556,877</u>	<u>2,248,292</u>
<u>U.S. Department of Energy</u>				
Direct Assistance:				
Conservation Research and Development:				
DOE/NETL Clean Cities Outreach	81.086	14167	45,471	-
Subtotal - U.S. Department of Energy			<u>45,471</u>	<u>-</u>
Total Federal Awards			<u>\$ 30,602,348</u>	<u>\$ 2,248,292</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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 the Southern California Association of Governments (SCAG) that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the SCAG from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditure that were funded with state, local or other non-federal funds are excluded from the accompanying schedule. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of SCAG, it is not intended to and does not present the financial position and changes in financial position of SCAG.

B. Basis of Accounting

The expenditures included in the accompanying schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

C. Relationship to Federal Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain timing differences may exist in the recognition of revenues and expenses/expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

D. Indirect Cost Rate

SCAG has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u>No</u>
Identification of major federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>20.526</u>	<u>Federal Transit Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 918,070</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II. FINANCIAL STATEMENT FINDINGS

None reported.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.