



**Southern California Association of Governments**  
**Single Audit Report**  
***Year ended June 30, 2016***  
***with Report of Independent Auditors***

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**Report of Independent Auditors 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, 2016, and the related notes to the financial statements, which collectively comprise the Southern California Association of Governments' basic financial statements, and have issued our report thereon dated December 21, 2016.

**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.

*Vasquez + Company LLP*

**Los Angeles, California  
December 21, 2016**

**Report of Independent Auditors on Compliance for Each Major Federal Program, on  
Internal Control over Compliance and on the Schedule of Expenditures of  
Federal Awards Required by 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, 2016. SCAG's major federal programs are identified in the summary of auditors' 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.

***Auditors' 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, 2016.

### **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 a 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, 2016, and the related notes to the financial statements, which collectively comprise SCAG's basic financial statements. We have issued our report thereon dated December 21, 2016, which contained unmodified opinions 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 the Uniform Guidance 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Vasquez + Company LLP*

**Los Angeles, California  
December 21, 2016**



**Southern California Association of Governments  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2016**

<u>Federal/Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U. S. Department of Transportation:</u></b>				
Direct Programs:				
Federal Transit Administration (FTA)				
Job Access and Reverse Commute Program (JARC)	20.516	CA3709900	\$ -	\$ 77,745
		<b>Total CFDA 20.516</b>	<u>-</u>	<u>77,745</u>
Federal Transit Administration (FTA)				
New Freedom Program	20.521	CA5702600	-	21,338
		<b>Total CFDA 20.521</b>	<u>-</u>	<u>21,338</u>
Passed through from California Department of Transportation:				
FTA				
FTA 5303 Transit Technical Studies Grants	20.505	16OWPSCAG	97,214	7,732,909
FTA 5304 Discretionary Grant	20.505	16OWPSCAG	369,660	779,266
		<b>Total CFDA 20.505</b>	<u>466,874</u>	<u>8,512,175</u>
FTA				
FTA 5339 Bus and Bus Facilities Formula Program	20.526	CA-34-0019-00	4,005,015	4,005,015
		<b>Total CFDA 20.526</b>	<u>4,005,015</u>	<u>4,005,015</u>
		<b>Total FTA</b>	<u>4,471,889</u>	<u>12,616,273</u>
Passed through from California Department of Transportation:				
Federal Highway Administration (FHWA)				
Highway Planning and Construction	20.205	16OWPSCAG	-	18,374,592 *
Partnership Planning	20.205	16OWPSCAG	-	198,532 *
FHWA ATP	20.205	6049 (13)	-	1,713,494 *
		<b>Total CFDA 20.205</b>	<u>-</u>	<u>20,286,618</u>
Federal Highway Administration (FHWA)				
FHWA Value Pricing	20.200	6049 (10)	-	582,800 *
FHWA Value Pricing, Phase III	20.200	6049 (15)	-	340,026 *
FHWA GHG, First Last Mile	20.200	6049 (14)	34,360	34,360 *
		<b>Total CFDA 20.200</b>	<u>34,360</u>	<u>957,186</u>
		<b>Total FHWA</b>	<u>34,360</u>	<u>21,243,804</u>
		<b>Total U.S. Department of Transportation</b>	<u>4,506,249</u>	<u>33,860,077</u>
<b><u>U.S. Department of Energy:</u></b>				
Passed through from Leonardo Technologies, Inc.				
ARRA - Clean Cities Coalition Programmatic Support	81.086	12231	-	40,676
Total U.S. Department of Energy		<b>Total CFDA 81.086</b>	<u>-</u>	<u>40,676</u>
		<b>Total Expenditures of Federal Awards</b>	<u>\$ 4,506,249</u>	<u>\$ 33,900,753</u>

\* Major programs

*See accompanying Notes to Schedule of Expenditures of Federal Awards and the Report of Independent Auditors on Compliance for Each Major Federal Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.*

**Southern California Association of Governments  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2016**

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**NOTE 1           GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents only the expenditures incurred by the Southern California Association of Governments (SCAG) that are reimbursable under federal programs of federal awards. 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.

**NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting, which is described in note 1 of the SCAG's financial statements. 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.

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

**NOTE 3           DEFINITION OF MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM**

The Single Audit Act Amendments of 1996 define the major federal award programs based upon the total federal expenditures of the grantee during the period reported and the inherent risk of the programs audited.

**NOTE 4           RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Total expenditure amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the total expenditure amounts reported in the related federal financial reports in all material respects.

**Southern California Association of Governments  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported.

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported.

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.200	FHWA Value Pricing FHWA Value Pricing, Phase III FHWA GHG, First Last Mile
20.205	Highway Planning and Construction Partnership Planning FHWA ATP
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,017,023
Auditee qualified as a low-risk auditee?	No

**Southern California Association of Governments  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

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**Section II – Financial Statement Audit Findings**

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There were no financial statement findings noted during the fiscal year ended June 30, 2016.

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**Section III – Federal Award Findings and Questioned Costs**

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There were no federal award findings and questioned costs noted during the fiscal year ended June 30, 2016.

**Finding 2015-001 - Subrecipient Monitoring**

*Criteria*

OMB Circular A-133 Compliance requirement for subrecipient monitoring states that a pass-through entity is responsible for identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements at the time of the subaward as part of award identification.

*Condition*

We selected 3 subrecipients (2 subrecipients for CFDA 20.505 and 1 subrecipient for CFDA 20.526) to which the SCAG provided funding during FY15-16 and noted that the Memorandum of Understanding (MOU) between the SCAG and the 3 subrecipients tested did not clearly identify the CFDA title and number.

*Questioned Costs*

None

*Cause and Effect*

Adequate procedures do not appear to be in place to ensure that required information is identified and provided to the subrecipient at the time of subaward.

These exceptions constitute noncompliance with Federal requirements and heighten the risk that a subrecipient may not be aware of all federal requirements pertaining to the grant, and may not obtain the independent grant audit, when required.

*Recommendation*

We recommend that the SCAG's Program Management implement stricter controls to ensure that all required information is identified and communicated to the subrecipient at the time of subaward. MOUs should include the CFDA title and number.

*Finding Status*

The program manager has revised the MOU templates for FY16 to include CFDA numbers and titles as required by the Circular. Furthermore, SCAG issues a letter to its subrecipients informing them of the grant CFDA number and Program Title. Finding is closed.



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801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777