



**SOUTHERN CALIFORNIA  
ASSOCIATION of GOVERNMENTS**

**Single Audit Report  
Southern California Association of Governments  
*Year ended June 30, 2015*  
*with Report of Independent Auditors***

An Independently Owned Member  
**McGLADREY ALLIANCE**



 **Vasquez**  
& Company LLP  
Certified Public Accountants and Business Consultants

**Single Audit Report**  
**Southern California Association of Governments**  
***Year ended June 30, 2015***  
***with Report of Independent Auditors***

	<u>PAGE</u>
<b>REPORTS OF INDEPENDENT AUDITORS</b>	
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 <i>Government Auditing     Standards</i>	1
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 OMB Circular A-133	3
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	6
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	7
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	8
<b>STATUS OF PRIOR AUDIT FINDINGS</b>	10

**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, as of and for the year ended June 30, 2015, 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, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Southern California Association of Governments' 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 the Southern California Association of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of the Southern California Association of Governments' 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 the Southern California Association of Governments' 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, 2015

**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 OMB Circular A-133**

**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' 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 Southern California Association of Governments' major federal programs for the year ended June 30, 2015. The Southern California Association of Governments' 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Southern California Association of Governments' 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 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 Southern California Association of Governments' 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 the Southern California Association of Governments' compliance.



### **Opinion on Each Major Federal Program**

In our opinion, the Southern California Association of Governments 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, 2015.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

Southern California Association of Governments' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Southern California Association of Governments' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Southern California Association of Governments 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 the Southern California Association of Governments' 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 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 Southern California Association of Governments' 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southern California Association of Governments' basic financial statements. We have issued our report thereon dated December 21, 2015, 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 OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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, 2015**



**Southern California Association of Governments  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015**

<u>Federal Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Passed-through Contract Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>			
Direct Programs:			
Federal Transit Administration (FTA)			
Job Access and Reverse Commute	20.516	CA3709900	\$ 58,306
New Freedom Program	20.521	CA5702600	<u>26,005</u>
			<u>84,311</u>
Passed through California Department of Transportation:			
FTA			
Transit Technical Studies Grants	20.505	14OWPSCAG	9,376,680 *
FTA 5304 Discretionary Grant	20.505	14OWPSCAG	570,223 *
FTA 5339 Bus and Bus Facilities	20.526	CA-34-0019-00	5,090,058 *
			<u>15,036,961</u>
Total FTA			<u>15,121,272</u>
Passed through California Department of Transportation:			
Federal Highway Administration (FHWA)			
Highway Planning and Construction	20.205	14OWPSCAG	19,132,172
Partnership Planning	20.205	14OWPSCAG	81,035
FHWA Value Pricing	20.200	07-4947	1,328,991
FHWA FSHRP2L 6049 (011)	20.200	005-N	4,692
FHWA STEPCRPL 6049 (012)	20.200	006-N	36,073
FHWA ATP	20.205	008-N	54,049
Total FHWA			<u>20,637,012</u>
Total U.S. Department of Transportation			<u>35,758,284</u>
<u>U.S. Department of Energy:</u>			
Passed through Air Quality Management District:			
ARRA - California Statewide Fleets and Workplace Alternative Fuels Project	81.086	14167	60,865 *
			<u>60,865</u>
Passed through Leonardo Technologies, Inc.			
ARRA - Clean Cities Coalition Programmatic Support	81.086	12231	31,735 *
Total U.S. Department of Energy			<u>92,600</u>
Total Expenditures of Federal Awards			<u>\$ 35,850,884</u>

\* Major programs

See accompanying notes to schedule of expenditures of federal awards.

See accompanying notes to schedule of expenditures of federal awards.

**Southern California Association of Governments  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015**

---

**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.

**NOTE 2            BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 of the SCAG's financial statements.

**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.

**NOTE 5            SUBRECIPIENTS**

During the year ended June 30, 2015, the SCAG disbursed a total of \$5,421,020 to subrecipients, utilizing funds provided by the Federal Transportation Administration and the Federal Highway Administration.

**Southern California Association of Governments  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015**

**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 its major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported.
Type of auditors' report issued on compliance for its major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB A-133?	Yes

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.505	Federal Transit Administration Transit Technical Studies Grants FTA 5304 Discretionary Grant
20.526	FTA 5339 Bus and Bus Facilities
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,075,527
Auditee qualified as a low-risk auditee:	Yes

**Southern California Association of Governments  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015**

---

**Section II – Financial Statement Audit Findings**

---

No matters were reported.

---

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

---

*Federal Program Information*

<i>Federal Catalog Number:</i>	20.505
<i>Federal Program Name:</i>	Transit Technical Studies Grants
<i>Federal Agency:</i>	Federal Transit Administration
<i>Pass-Through Entity:</i>	California Department of Transportation

*Federal Program Information*

<i>Federal Catalog Number:</i>	20.526
<i>Federal Program Name:</i>	Bus and Bus Facilities
<i>Federal Agency:</i>	Federal Transit Administration
<i>Pass-Through Entity:</i>	California Department of Transportation

**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 FY14-15 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.

*View of Responsible Officials and Planned Corrective Action*

The program manager has subsequently modified and revised all grant MOUs to include CFDA numbers and titles.

**Southern California Association of Governments  
Status of Prior Audit Findings  
Year ended June 30, 2015**

---

No findings were reported for the year ended June 30, 2014.



**[www.vasquezcpa.com](http://www.vasquezcpa.com)**

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance provides its members with access to resources of RSM US LLP (formerly known as McGladrey LLP). McGladrey Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit <http://www.rsmus.com/aboutus> for more information regarding RSM US LLP and RSM International. McGladrey®, the McGladrey Alliance logo and the McGladrey Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.