

Single Audit Report
Southern California Association of Governments
Year ended June 30, 2013
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 Southern California Association of Governments, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Southern California Association of Governments' basic financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

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

Vargay + Company LLP

**Los Angeles, California
December 16, 2013**

**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 in Accordance with 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 compliance of Southern California Association of Governments 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 Southern California Association of Governments' major federal programs for the year ended June 30, 2013. Southern California Association of Governments' 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 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 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 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 Southern California Association of Governments' compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

Report on Internal Control Over Compliance

Management of 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 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 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 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, 2013, and the related notes to the financial statements, which collectively comprise Southern California Association of Governments' basic financial statements. We have issued our report thereon dated December 16, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vargay + Company LLP

**Los Angeles, California
December 16, 2013**

**Southern California Association of Governments
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Contract Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>			
Pass through California Department of Transportation:			
Federal Transit Administration (FTA)			
Federal Transit Technical Studies Grants	20.505	13OWPSCAG	\$ 8,427,170 *
FTA 5304 Discretionary Grant	20.505	13OWPSCAG	510,829 *
			<u>8,937,999</u>
Direct Programs:			
FTA			
Job Access and Reverse Commute (JARC)	20.516	CA3709900	36,204
New Freedom Program Funds	20.521	CA5702600	16,517
			<u>52,721</u>
			Total FTA
			<u>8,990,720</u>
Pass through California Department of Transportation:			
Federal Highway Administration (FHWA)/			
Highway Planning and Construction	20.205	13OWPSCAG	18,004,208
Partnership Planning	20.205	13OWPSCAG	316,679
FY06 Scenic Byways	20.205	13OWPSCAG	62,370
SAFETEA-LU, Value Pricing Pilot Program	20.205	13OWPSCAG	108,225
			<u>18,491,482</u>
			Total FHWA
			<u>18,491,482</u>
			Total U.S. Department of Transportation
			<u>27,482,202</u>
<u>U.S. Department of Energy:</u>			
Pass through Air Quality Management District:			
South Coast Plug-in Electric Vehicle (PEV) Infrastructure			
Regional Plan and PEV Education Outreach Workshops	81.086	12231	259,369
UPS Ontario - Las Vegas LNG Corridor Expansion and			
Heavy Duty National Gas Drayage Truck	81.086	11079	93,737
Pass through San Bernardino Associated Governments (SANBAG)			
SANBAG Natural Gas Truck Project	81.086	C10121	12,551
			<u>12,551</u>
			Total Department of Energy
			<u>365,657</u>
			Total Expenditures of Federal Awards
			<u>\$ 27,847,859</u>

* Major programs

See accompanying notes to the schedule of expenditures of federal awards.

**Southern California Association of Governments
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2013**

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 Southern California Association of Governments 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, 2013, the Southern California Association of Governments disbursed a total of \$1,055,220 to subrecipients, utilizing funds provided by the Federal Transportation Administration and Federal Highway Administration.

**Southern California Association of Governments
Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

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 that are not considered to be material weaknesses?	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 that are not considered to be material weaknesses?	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?	No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.505	Federal Transit Administration: Federal Transit Technical Studies Grants FTA 5304 Discretionary Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$835,436
Auditee qualified as a low-risk auditee:	Yes

**Southern California Association of Governments
Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Section II – Financial Statement Audit Findings

None noted.

Section III – Federal Award Findings

None noted.

**Southern California Association of Governments
Status of Prior Year's Audit Findings
Year ended June 30, 2013**

None noted.

