



SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS
900 Wilshire Blvd., Ste. 1700
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MEETING OF THE

**AUDIT
COMMITTEE**

***Members of the Public are Welcome to Attend
In-Person & Remotely***

***Tuesday, December 10, 2024
2:30 p.m. – 3:30 p.m.***

To Attend In-Person:

**SCAG Main Office – Policy B Meeting Room
900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017**

To Attend and Participate on Your Computer:

<https://scag.zoom.us/j/81950774385>

To Attend and Participate by Phone:

**Call-in Number: 1-669-900-6833
Meeting ID: 819 5077 4385**

PUBLIC ADVISORY

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Maggie Aguilar at (213) 630-1420 or via email at aguilarm@scag.ca.gov. Agendas & Minutes are also available at: www.scag.ca.gov/committees.

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. SCAG is also committed to helping people with limited proficiency in the English language access the agency's essential public information and services. You can request such assistance by calling (213) 630-1420. We request at least 72 hours (three days) notice to provide reasonable accommodations and will make every effort to arrange for assistance as soon as possible.



Instructions for Attending the Meeting

To Attend In-Person and Provide Verbal Comments: Go to the SCAG Main Office located at 900 Wilshire Blvd., Ste. 1700, Los Angeles, CA 90017 or any of the remote locations noticed in the agenda. The meeting will take place in the Policy B Meeting Room on the 17th floor starting at 2:30 p.m.

To Attend by Computer: Click the following link: <https://scag.zoom.us/j/81950774385>. If Zoom is not already installed on your computer, click “Download & Run Zoom” on the launch page and press “Run” when prompted by your browser. If Zoom has previously been installed on your computer, please allow a few moments for the application to launch automatically. Select “Join Audio via Computer.” The virtual conference room will open. If you receive a message reading, “Please wait for the host to start this meeting,” simply remain in the room until the meeting begins.

To Attend by Phone: Call **(669) 900-6833** to access the conference room. Given high call volumes recently experienced by Zoom, please continue dialing until you connect successfully. Enter the **Meeting ID: 819 5077 4385**, followed by #. Indicate that you are a participant by pressing # to continue. You will hear audio of the meeting in progress. Remain on the line if the meeting has not yet started.

Instructions for Participating and Public Comments

Members of the public can participate in the meeting via written or verbal comments.

- In Writing:** Written comments can be emailed to: ePublicComment@scag.ca.gov. Written comments received **by 5pm on Monday, December 9, 2024**, will be transmitted to members of the legislative body and posted on SCAG’s website prior to the meeting. You are **not** required to submit public comments in writing or in advance of the meeting; this option is offered as a convenience should you desire not to provide comments in real time as described below. Written comments received after 5pm on Monday, December 9, 2024, will be announced and included as part of the official record of the meeting. Any writings or documents provided to a majority of this committee regarding any item on this agenda (other than writings legally exempt from public disclosure) are available at the Office of the Clerk, at 900 Wilshire Blvd., Suite 1700, Los Angeles, CA 90017 or by phone at (213) 630-1420, or email to aguilarm@scag.ca.gov.
- Remotely:** If participating in real time via Zoom or phone, please wait for the presiding officer to call the item for which you wish to speak and use the “raise hand” function on your computer or *9 by phone and wait for SCAG staff to announce your name/phone number.
- In-Person:** If participating in-person, you are invited but not required, to fill out and present a Public Comment Card to the Clerk of the Board or other SCAG staff prior to speaking. It is helpful to indicate whether you wish to speak during the Public Comment Period (Matters Not on the Agenda) and/or on an item listed on the agenda.

General Information for Public Comments

Verbal comments can be presented in real time during the meeting. Members of the public are allowed a total of 3 minutes for verbal comments. The presiding officer retains discretion to adjust time limits as necessary to ensure efficient and orderly conduct of the meeting, including equally reducing the time of all comments.

For purpose of providing public comment for items listed on the Consent Calendar, please indicate that you wish to speak when the Consent Calendar is called. Items listed on the Consent Calendar will be acted on with one motion and there will be no separate discussion of these items unless a member of the legislative body so requests, in which event, the item will be considered separately.

In accordance with SCAG’s Regional Council Policy, Article VI, Section H and California Government Code Section 54957.9, if a SCAG meeting is “willfully interrupted” and the “orderly conduct of the meeting” becomes unfeasible, the presiding officer or the Chair of the legislative body may order the removal of the individuals who are disrupting the meeting.



AUDIT COMMITTEE MEETING AGENDA

TELECONFERENCE AVAILABLE AT THESE ADDITIONAL LOCATIONS

Curt Hagman Chino Hills District Office 14010 City Center Drive Chino Hills, CA 91709	Steve Manos 53180 Odyssey Street Lake Elsinore, CA 92532
Ray Marquez 15922 Old Carbon Canyon Road Chino Hills, CA 91709	Ali Saleh City of Bell – City Hall 6330 Pine Avenue Bell, CA 90201
Marty Simonoff 950 E. 27 th Street, 3 rd Floor Signal Hill, CA 90755	Alan Wapner City of Ontario - City Hall Conference Room 1 303 East B Street Ontario, CA 91764

* Under the teleconferencing rules of the Brown Act, members of the body may remotely participate at any location specified above.



AC - Audit Committee
Members – December 2024

- 1. Hon. Ray Marquez**
AC Chair, Chino Hills, RC District 10
- 2. Sup. Curt Hagman**
San Bernardino County
- 3. Hon. Steve Manos**
Lake Elsinore, RC District 63
- 4. Hon. Ali Saleh**
Bell, RC District 27
- 5. Hon. Marty Simonoff**
Brea, RC District 22
- 6. Hon. Alan Wapner**
SBCTA Representative
- 7. Hon. Edward Wilson**
Signal Hill, GCCOG



AUDIT COMMITTEE AGENDA

Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700 – Policy B Meeting Room
Los Angeles, CA 90017
Tuesday, December 10, 2024
2:30 PM

The Audit Committee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as Information or Action Items.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

(The Honorable Ray Marquez, Chair)

PUBLIC COMMENT PERIOD (Matters Not on the Agenda)

This is the time for public comments on any matter of interest within SCAG’s jurisdiction that is **not** listed on the agenda. For items listed on the agenda, public comments will be received when that item is considered. Although the committee may briefly respond to statements or questions, under state law, matters presented under this item cannot be discussed or acted upon at this time.

REVIEW AND PRIORITIZE AGENDA ITEMS

CONSENT CALENDAR

Approval Item

1. Minutes of the Meeting – June 12, 2024 PPG. 5

INFORMATION ITEMS

2. Eide Bailly Annual Comprehensive Financial Report and Single Audit for the FY ended June 30, 2024 PPG. 10
30 Mins.

(David James, Internal Auditor, SCAG)

3. Caltrans Incurred Cost Audit 20 Mins. PPG. 15

(Cindy Giraldo, Chief Financial Officer, SCAG)

4. Audits Status Report 10 Mins. PPG. 37

(David James, Internal Auditor, SCAG)

FUTURE AGENDA ITEMS

ANNOUNCEMENTS

ADJOURNMENT



AUDIT COMMITTEE (AC)
MINUTES OF THE MEETING
WEDNESDAY, June 12, 2024

THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE AUDIT COMMITTEE (AC). A VIDEO AND AUDIO RECORDING OF THE FULL MEETING IS AVAILABLE AT: <http://scag.iqm2.com/Citizens/>.

The Audit Committee (AC) of the Southern California Association of Governments (SCAG) held its regular meeting both in person and virtually (telephonically and electronically). A quorum was present.

Members Present:

Hon. Ray Marquez, Chair	<i>Chino Hills</i>	District 10
Sup. Curt Hagman, President		San Bernardino County
Hon. Steve Manos	<i>Lake Elsinore</i>	District 63
Hon. Marty Simonoff	<i>Brea</i>	District 22
Hon. Alan D. Wapner		SBCTA
Hon. Edward Wilson	<i>Signal Hill</i>	GCCOG

Members Not Present

Hon. Ali Saleh	<i>Bell</i>	District 27
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CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Honorable Ray Marquez, Chino Hills, Chair, called the meeting to order at 3:00 p.m. He asked Councilmember Alan Wapner, SBCTA, to lead the Pledge of Allegiance. The Clerk confirmed a quorum was present.

PUBLIC COMMENT PERIOD

Chair Marquez provided detailed instructions and general information on how to provide public comments. Additionally, he noted that public comments received via email to ePublicComment@scag.ca.gov after 5 p.m. on Tuesday, June 11, 2024, would be announced and included as part of the official record of the meeting.



Chair Marquez opened the public comment period and noted this was the time for members of the public to offer comment for matters that are within SCAG’s jurisdiction but are not listed on the agenda.

The Clerk acknowledged there were no written public comments received via email before or after the 5 p.m. deadline on Tuesday, June 11, 2024. SCAG staff also noted that there were no public comments for matters not listed on the agenda.

Chair Marquez closed the public comment period for matters not listed on the agenda.

REVIEW AND PRIORITIZE AGENDA ITEMS

There were no reprioritizations made.

CONSENT CALENDAR

Approval Item

1. Minutes of the Meeting – December 12, 2023

A MOTION was made (Simonoff) to approve Consent Calendar Item No. 1. Motion was SECONDED (Wapner) and passed by the following roll call vote:

AYES: Hagman, Manos, Marquez, Simonoff, Wapner and Wilson (6).

NOES: None (0)

ABSTAIN: None (0)

There were no public comments or additional discussions from the Committee on this item.

INFORMATION ITEMS

2. Eide Bailly Presentation on Annual Audit For Fiscal Year 2024

David James, Internal Auditor, introduced Kinnaly Soukhaseum, Partner, and Kyle Bartle, Senior Manager, Eide Bailly LLP, and asked them to present the details of the Auditor’s Required Communication in connection with SCAG’s fiscal year ended June 30, 2024 financial statements and financial audit process.

The presentation included an overview of the audit scope of work, the auditor's responsibilities, and details of the audit approach for the planning and risk assessment phase of the audit. Highlights of the audit presentation included the following:

- Audit on internal control over financial reporting and on compliance in accordance with Government Auditing Standards;
- Audit of the Annual Comprehensive Financial Report (ACFR);
- Audit on compliance requirements over major federal programs, schedule of expenditures of federal awards and internal controls in accordance with 2 CFR 200 (Single Audit);
- Testing of journal entries, account balances and classes of transactions, and assess accounting principles; and
- Timing of the audit, fieldwork and exit timeline to be presented in late November, 2024.

There were no public comments received for this item.

The PowerPoint presentation *Eide Bailly – SCAG Required Communications* was included in the agenda packet.

3. Internal Audit Risk Assessment and Audit Plan for Fiscal Year 2024-2025

David James, Internal Auditor, provided background information and an overview of the Internal Audit Risk Assessment report and recommended Audit Plan. He noted that the organization-wide risk assessment process helps to select areas where internal audits could be done to address areas of highest risk within SCAG operations.

Mr. James stated that the risk assessments included evaluations of the effectiveness and efficiency of departments, functions and evaluating governance, risk management, and internal controls. He noted that Internal Audit assists staff in efficient and effective discharge of responsibilities by providing independent analyses, appraisals, findings, and recommendations.

Highlights of Mr. James' presentation included a summary of risk assessment interview results, methodology, and overview of the Internal Audit Risk Matrix and rankings.

Mr. James' presentation concluded with a summary of internal audit projects planned for FY 2024-2025.

There were no public comments received for this item.

The comprehensive staff report and SCAG Internal Audit Risk Matrix 2024 report were included in the agenda packet.

4. Internal Audit Status Report

David James, Internal Auditor, presented the Internal Audit Status Report, which lists work performed since the last Audit Committee meeting. Mr. James provided a brief update of the projects currently in progress and internal audit projects to perform in the remainder of fiscal year (FY) 2025. Highlights included:

- Comments and timeline on the Caltrans Incurred Cost Audit which is in progress;
- Objectives and timeline of the REAP 1 Grant Expenditures Internal Audit;
- Update on SCAG's ethics hotline which noted that there were no reports received since the last Audit Committee.

There were no public comments received for this item.

The comprehensive staff report was included in the agenda packet.

FUTURE AGENDA ITEMS

There were no future agenda items.

ANNOUNCEMENTS

Darin Chidsey, Chief Operating Officer, provided details of the Caltrans Audit in progress. He commented on the lessons learned from the previous Caltrans Audit, which was completed several years ago. He noted that the staff would continue to update the Audit Committee members on the progress and results of the Caltrans audit.

ADJOURNMENT

There being no further business, Chair Marquez adjourned the Audit Committee meeting at 3:36 p.m.

Respectfully submitted by:
Carmen Summers
Audit Committee Clerk

[MINUTES ARE UNOFFICIAL UNTIL APPROVED BY THE AUDIT COMMITTEE]

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AUDIT COMMITTEE ATTENDANCE REPORT
2024-25

MEMBERS	Representing	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	Total Mtgs Attended To Date
Hagman, Curt	San Bernardino County	1											1
Manos, Steve	Lake Elsinore, RC District 63	1											1
Marquez, Ray	Chino Hills, RC District 10	1											1
Saleh, Ali	Bell, RC District 27												0
Simonoff, Marty	Brea, RC District 22	1											1
Wapner, Alan	SBCTA Representative	1											1
Wilson, Edward	Signal Hill, GCCOG	1											1



AGENDA ITEM 2
REPORT

Southern California Association of Governments
December 10, 2024

To: Audit Committee (AC)

**EXECUTIVE DIRECTOR'S
APPROVAL**

From: David James, Internal Auditor
(213) 630-1483, djames@scag.ca.gov

Subject: Eide Bailly Annual Comprehensive Financial Report and Single Audit for
the FY ended June 30, 2024

RECOMMENDED ACTION:

Information Only – No Action Required

STRATEGIC PRIORITIES:

This item supports the following Strategic Priority 5: Secure and optimize diverse funding sources to support regional priorities.

EXECUTIVE SUMMARY:

SCAG's external independent auditor, Eide Bailly, LLP, has completed their financial statement audits. Kinnaly Soukhaseum, partner at Eide Bailly, presents the Annual Comprehensive Financial Report and the Single Audit for the fiscal year ended June 30, 2024.

SCAG received an unmodified audit opinion (the best possible). Further, based on the results of their audit, Eide Bailly, LLP has reported no material weaknesses or instances of non-compliance.

The Annual Comprehensive Financial Report (ACFR) and the report of the Single Audit are at: <https://scag.ca.gov/financial-reports>.

FISCAL IMPACT:

None

ATTACHMENT(S):

- 1. SCAG Required Communications - Conclusion 2024



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Independent Auditor's Communication to those Charged with Governance (AU-C 260) for the fiscal year ended June 30, 2024
December 10, 2024

ENGAGEMENT MANAGEMENT TEAM



Kinnaly Soukhaseum, CPA

Partner
ksoukhaseum@eidebailly.com
909.466.4410



Kyle Bartle, CPA

Senior Manager
kbartle@eidebailly.com
916.999.8512



AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

- Scope of work for the fiscal year ended June 30, 2024:
 - Annual Comprehensive Financial Report (ACFR)
 - Unmodified "clean" audit opinion, dated November 18, 2024
 - Single Audit
 - Unmodified "clean" audit opinion, dated November 18, 2024



AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

- Our Responsibility in Relation to the Financial Statements under Government Auditing Standards (GAS)
 - Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.
 - Design and implement audit procedures based on our understanding of Southern California Association of Governments (SCAG) to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements.
 - Perform tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.
 - GASB Statement No. 34 requires SCAG to present management's discussion and analysis and other required supplementary information in the financial statements.



AUDITOR’S REQUIRED COMMUNICATION (AU-C 260)

- **Significant Risks**
 - Professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as “significant risks.” We have identified the following as significant risks:
 - Management override of controls
 - Revenue recognition
 - Estimates related to pension and other post-employment benefit amounts
- **Significant Accounting Policies**
 - SCAG’s significant accounting policies are described in Note 1 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.



AUDITOR’S REQUIRED COMMUNICATION (AU-C 260)

- **Management Judgments and Accounting Estimates**
 - Accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management’s current judgments:
 - Amounts related to the net pension liability, related deferred outflows of resources and deferred inflows of resources, pension expense, and disclosures, are based on actuarial valuations for the CalPERS and PARS plans.
 - Amounts related to the net other postemployment benefit (OPEB) liability, related deferred outflows and inflows of resources, OPEB expense, and disclosures, are based on an actuarial valuation.
- **Sensitive Disclosures**
 - Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.
 - SCAG’s disclosure of its pension and OPEB plan in Notes 12 and 14 to the financial statements describe SCAG’s net pension liability and net OPEB liability. The valuation of the net pension liability and net OPEB liability and related deferred inflows/outflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to the investment rate of return and discount rate.



AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

- Corrected and Uncorrected Misstatements
 - There were no uncorrected or corrected misstatements identified as a result of our audit procedures.
- Difficulties Encountered in Performing the Audit or Disagreements with Management
 - None noted.
- Management Consultations with Other Independent Accountants
 - None noted.



QUESTIONS?



AGENDA ITEM 3
REPORT

Southern California Association of Governments
December 10, 2024

To: Audit Committee (AC)
From: Cindy Giraldo, Chief Financial Officer
(213) 630-1413, giraldo@scag.ca.gov
Subject: Caltrans Incurred Cost Audit

EXECUTIVE DIRECTOR'S
APPROVAL

RECOMMENDED ACTION:
Information Only - No Action Required

STRATEGIC PRIORITIES:
This item supports the following Strategic Priority 5: Secure and optimize diverse funding sources to support regional priorities.

EXECUTIVE SUMMARY:
The Caltrans Internal Audits Office (CIAO) initiated an Incurred Cost audit of costs claimed between July 1, 2021 and February 13, 2024 in April of 2024. A final audit report was provided to SCAG on August 9, 2024 (Attachment 1). Based on the audit, CIAO determined that the costs were adequately supported and incurred in accordance with the Master Fund Transfer Agreement and applicable federal and state regulations. There were no found instances of unsupported costs, and \$0 was disallowed. However, auditors found issues with compliance with contract provisions, timekeeping, and match requirements. SCAG is in the process of drafting a corrective action plan which is due to Caltrans by January 20, 2025 which must be fully implemented within one year of the date of the plan submission.

BACKGROUND:
Under the Master Fund Transfer Agreements 74A0822 (MFTA) between Caltrans and SCAG, Caltrans has the authority to audit SCAG to determine whether the costs incurred charged by SCAG to Caltrans under the MFTA are supported and in compliance with agreement provisions and state and federal regulations. On April 9, 2024, Caltrans Internal Audit Office (CIAO) initiated an Incurred Cost Audit of SCAG for costs claimed between July 1, 2021, and February 13, 2024.

Prior to this audit, Caltrans last initiated an Incurrent Cost Audit of SCAG in 2015 for an audit period of April 1, 2014 through June 30, 2015 with the final Incurred Cost Audit report issued on September 21, 2018. Based on the audit, it was determined that \$7,015,036 were not supported and did not comply with the respective agreement provisions and state and federal regulations and \$2,510,015 of these costs were disallowed. In addition, deficiencies were found in labor charges,

consultant procurements, contract management, and billing and reporting. Following this audit, SCAG initiated a multifaceted corrective action plan to address the findings through the implementation of new operating procedures, extensive staff training, and improved internal controls.

DISCUSSION:

CIAO audit fieldwork was initiated following an audit entrance meeting held on April 9, 2024. A final audit report was provided to SCAG on August 9, 2024 (Attachment 1). Based on the audit, CIAO determined that the costs were adequately supported and incurred in accordance with the MFTA and applicable federal and state regulations. There were no found instances of unsupported costs, and \$0 was disallowed. However, auditors found issues with compliance with contract provisions, timekeeping, and match requirements. For each finding, SCAG prepared a management response (Attachment 2) which was provided to the CIAO. On November 21, 2024, Caltrans issued a letter regarding the determination of the corrective actions regarding findings identified in the Incurred Cost Audit (Attachment 3). SCAG has 60 days from the date of this letter to prepare a corrective action plan that outlines the actions SCAG will take to resolve the audit findings, including dates for when the corrective actions will be completed. SCAG must implement all corrective actions and provide documentation to support the corrective actions within one year of when the corrective action plan is submitted to Caltrans.

SCAG is in the process of formalizing the corrective action plan required by Caltrans, with work already underway to address the findings noted.

FISCAL IMPACT:

There is no fiscal impact of this report.

ATTACHMENT(S):

1. Caltrans Incurred Cost Audit SCAG Final Report 08292024
2. SCAG Caltrans Audit Management Responses FINAL 8.21.24
3. SCAG Incurred Cost CAP Letter - signed 11.21.24

MEMORANDUM

To: Marlon Flournoy
Division Chief
Division of Transportation Planning

Dee Lam
Division Chief
Division of Local Assistance (DLA)



From: Ben Shelton
Audit Chief
Caltrans Internal Audits Office (CIAO)

Date: 8/29/2024

File #: 24INC.A01

Subject: Incurred Cost Audit – Southern California Association of Governments

The Caltrans Internal Audits Office (CIAO), California Department of Transportation (Caltrans), audited the incurred costs of the Southern California Association of Governments (SCAG). The scope of the audit was limited to the Master Fund Transfer Agreement 74A0822 and Project Numbers ATPLNI-6049(018) and ATPLNI-6049(022). Auditors also tested the procurement of four contracts to evaluate compliance with Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200). The audit was limited to costs claimed between July 1, 2021, and February 13, 2024. The final audit report, which includes SCAG's response, is attached to this memo.

Based on the audit, CIAO determined that the costs were adequately supported and incurred in accordance with applicable federal and state regulations. However, auditors found issues with compliance with contract provisions, timekeeping, and match requirements.

Please provide CIAO with a Corrective Action Plan, including the timelines for addressing the recommendations in the report, within 60 business days from the date of this memo. If you have any questions, or if you would like to request a paper copy of this report, please contact me, by phone: (916) 858-9694 or by e-mail: Audits@dot.ca.gov.

Attachment: Incurred Cost Audit – Southern California Association of Governments – Final Report

Attachment: Caltrans Incurred Cost Audit SCAG Final Report 08292024 (Caltrans Incurred Cost Audit)



CALTRANS INTERNAL AUDITS OFFICE

DEPARTMENT OF TRANSPORTATION

FINAL REPORT: SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS, INCURRED COST AUDIT

Submission Date: 8/29/2024

Requested by: Transportation Planning

Prepared by: Caltrans Internal Audits Office (CIAO)



Audit Team2

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- Finding Three: Match Requirements8 – 9

Attachments

Attachment A: Copy of the Auditee’s Response

AUDIT REPORT PREPARED BY:
Caltrans Internal Audits Office (CIAO)



AUDIT TEAM:

Ben Shelton, Audit Chief
Gerald Lee, Audit Manager
Barbara Nolan, Auditor, Specialist

AUDIT 24INC.A01

CONTACT INFORMATION:

Department of Transportation
Caltrans Internal Audits Office
1120 N Street, Sacramento, CA 95814
Audits@dot.ca.gov

SUMMARY

The Caltrans Internal Audits Office (CIAO), California Department of Transportation (Caltrans), audited the costs incurred by the Southern California Association of Governments (SCAG). Auditors determined that the costs were adequately supported and incurred in accordance with applicable federal and state regulations. However, auditors found issues with compliance with contract provisions, timekeeping, and match requirements.

AUDIT OBJECTIVE

The objective of the audit was to determine whether the claimed costs were adequately supported and incurred in accordance with applicable state and federal laws and regulations, and contract provisions.

AUDIT SCOPE

The scope of the audit was limited to the Master Fund Transfer Agreement 74A0822 and Project Numbers ATPLNI-6049(018) and ATPLNI-6049(022).

Auditors also tested the procurement of four contracts to evaluate compliance with Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200). The audit was limited to costs claimed between July 1, 2021, and February 13, 2024. Testing was completed on July 25, 2024. Changes after July 25, 2024, were not tested.

The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements and CIAO did not audit the financial statements. Therefore, CIAO is not expressing an opinion on SCAG's financial statements.

VIEWS OF RESPONSIBLE OFFICIALS

CIAO's findings and recommendations consider SCAG's response dated 8/21/24 to our initial draft report dated 8/13/24. CIAO's findings and recommendations, SCAG's response, and CIAO's analysis of the response are set forth in the Findings and Recommendations section of this report. A copy of SCAG's full written response will be included as Attachment A.

If you have additional questions, please contact Ben Shelton, Audit Chief, by phone: (916) 858-9694, or e-mail: Audits@dot.ca.gov.

CONCLUSION

Based on the audit, CIAO determined that the costs were adequately supported and incurred in accordance with applicable federal and state regulations. However, auditors found issues with compliance with contract provisions, timekeeping, and match requirements.

FINDINGS AND RECOMMENDATIONS

FINDING ONE: CONTRACT MANAGEMENT

SUMMARY OF FINDING

CIAO tested 16 consultant invoices from 11 different contracts and two memoranda of understanding (MOUs) and found that SCAG did not require consultants to adhere to certain contract provisions in five instances. Specific exceptions included:

- 1) Approving costs incurred by the City of Calexico, which were not authorized by the MOU.
- 2) Approving costs for a consultant employee who was not identified in the contract line-item budget.
- 3) Twice approving labor costs without full supporting timesheets, as required by the contracts.
- 4) Failing to require monthly invoices, as required by the contract.

CRITERIA

The Caltrans Local Assistance Procedures Manual, Chapter 10, requires local agencies to manage and administer contracts to ensure that a complete and acceptable product is received on time, within standards, and within budget and terms of the contract. Specific contract provisions include:

- 1) **MOU M-026-21, Section 2.a:** SCAG is the sponsor agency for the Project and shall only be obligated to make payment to the City for the Work completed by the Contractor.
- 2) **Contract 20-037-C01, Section 4.b:** Services described in the Scope of Work shall be performed by Consultant's staff, listed in the "Line-Item Budget," Exhibit C, attached hereto and incorporated by this reference. There shall be no change

in the designation of Consultant staff, or any other information as identified in the Line-Item Budget without the prior written approval of the SCAG Chief Financial Officer.

- 3) **Contract 20-037-C01, Section 11.c.5:** All costs charged to this Agreement by the Consultant shall be supported by the following documentation: time record including full timesheets or timecards (must account for the total activity for which each employee is compensated not just SCAG time)

Contract 23-026, Section 11.c(6): Documentation: All costs charged to this Agreement by the Consultant shall be supported by the following documentation: time record including full timesheets or timecards (must account for the total activity for which each employee is compensated not just SCAG time)

- 4) **Memorandum of Understanding M-026-21, Section 6.b:** Not less frequently than once a month, the City shall submit an invoice to SCAG... and include a narrative description of the progress toward completion of tasks related to the Project.

CIAO RECOMMENDATION

SCAG should manage consultants within the provisions of their contracts. We also recommend SCAG staff review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance, which is available online.

SUMMARY OF AUDITEE'S RESPONSE

- 1) The City, having completed the project, requested reimbursement for materials needed for the project in lieu of contractor costs totaling \$3,179. The Project Manager verified that these materials were used and that materials were a qualified expense under the grant prior to approving reimbursement to the City.
- 2) SCAG agrees with the recommendation. SCAG staff will review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance.

- 3) SCAG changed its practices to require timesheets showing only the actual hours worked on SCAG projects. While the new practice was implemented for all active contracts, in some cases, SCAG failed to amend the language dictating timesheet requirements. SCAG will amend the remaining nine active contracts containing outdated language to bring them into compliance with our current policy and procedures.
- 4) SCAG agrees with the recommendation. SCAG staff will review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance.

ANALYSIS OF AUDITEE'S RESPONSE

SCAG acknowledges the finding and recommendations related to contract management. CIAO requests an update within 60 days of this report for a status on the proposed corrective actions.

FINDING TWO: TIMEKEEPING

SUMMARY OF FINDING

SCAG miscoded 21 labor hours. CIAO initially tested 141.5 hours charged to a specific work element and found that 18 of those hours (12.72%) were mischarged. CIAO noted that the mischarges occurred when an employee's time was entered by another employee. CIAO developed a second sample to test specifically for instances when an employee's time was entered by another employee.

CIAO's second sample included 91 timesheets entered by another employee, and CIAO identified two additional exceptions, representing three hours (.04% of second sample).

Exceptions such as these will cause project costs to be misrepresented and/or leave balances to be overstated.

CRITERIA

Title 2 of the Code of Federal Regulations, Section 200.430(i)(1) states in part: “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;”

SCAG’s Policy No. 2021-01, Section 3.1.2 states: “Employees are required to record hours worked on a daily basis on their timesheet (Microsoft Dynamics) at the end of each working day.”

Section 3.2.2 states: “Employees are required to accurately record time worked on projects.”

CIAO RECOMMENDATION

SCAG should institute a control to prevent the miscoding of employees’ time when entered by another staff person.

SUMMARY OF AUDITEE’S RESPONSE

SCAG agrees with the recommendation. SCAG has implemented a new control to prevent this error from reoccurring. When payroll staff keys an employee timesheet, a print screen will be emailed to the employee for their review and approval of the timesheet prior to routing the timesheet to the supervisor.

ANALYSIS OF AUDITEE’S RESPONSE

SCAG acknowledges the finding and recommendation related to timekeeping and the proposed corrective action should adequately address the recommendation.

FINDING THREE: MATCH REQUIREMENTS

SUMMARY OF FINDING

SCAG's monitoring of in-kind match provided by third parties can be improved. Local match funds cannot come from federal sources and metropolitan planning organizations need to provide solid supporting documentation when "in-kind" is used as the local match. CIAO sampled eight local agencies providing in-kind match, three agencies did not identify the source of funding used when reporting the in-kind match. Two agencies used labor costs for its in-kind match but did not identify the names of staff performing the work. One agency included "promotional items" in its in-kind match without explanation of what the items were.

Without sufficient support, the auditor cannot independently determine whether the costs meet the match requirements.

Additionally, SCAG calculates the required match amount for its Overall Work Program work elements each month when requesting reimbursement. On a quarterly basis, SCAG receives and reports the actual in-kind match provided by their third-party partners. As a result, SCAG does not receive the actual match information on a monthly basis and runs the risk of undermatching for individual months when submitting its requests for reimbursement (RFR) while still meeting match for the quarter.

CRITERIA

Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200), Section 306(j) states: "For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity."

2 CFR 200.306(b) states: For all federal awards, any shared costs or matching funds and all contributions, including cash and in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria: (4) Are allowable under subpart E of this part; which at 2 CFR 200.430(i)(1) requires that charges for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a

system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

SCAG's Accounting Manual, Section 14.5.3 states: The costs incurred by the Entity will qualify, if it is verified that the costs incurred by the Entity would otherwise be an allowable cost, if SCAG had paid the cost directly to the Entity.

The Regional Planning Handbook, Section 3.09 states: "Each work element entry on an RFR must show at least the mandatory local match and match source. A higher match amount (overmatch) on one RFR cannot compensate for a lower match (under match) on a previous or subsequent RFR."

CIAO RECOMMENDATION

SCAG should expand its match policy and procedure to identify the specific steps SCAG will take to verify in-kind match contributions qualify as allowable costs.

CIAO recommends SCAG collect and report actual match when requesting reimbursement, e.g., submit RFRs quarterly, or report actual match information monthly.

SUMMARY OF AUDITEE'S RESPONSE

SCAG agrees with the recommendation. SCAG will develop a template for the in-kind match annual contribution letter and in-kind match reporting letter to incorporate language indicating that no federal funds, only local funds, are being used for the in-kind match. SCAG will update the in-kind policy and will request additional supporting documentation from the third-party partners.

However, modifying invoice timing to quarterly may place significant cashflow challenges on SCAG. To address cash flow issues and ensure compliance with the requirement, SCAG will request tapered match funding.

ANALYSIS OF AUDITEE'S RESPONSE

SCAG acknowledges the findings and recommendations related to match. CIAO requests an update within 60 days of this report for a status on the proposed corrective actions.

MEMORANDUM

Cc:

Kome Ajise, Executive Director, Southern California Association of Governments (SCAG)

Cindy Giraldo, Chief Financial Officer, SCAG

Gloria Roberts, Director, District 7, Caltrans

Daniel Burke, Civil Rights Manager, Office of Guidance and Oversight, DLA, Caltrans

Blair Thompson, Chief, Division of Risk and Strategic Management, Caltrans

Gerald Lee, Audit Manager, CIAO, Caltrans

Grace Regidor, California Division Finance Team, Federal Highway Administration

Michael Morris, Jr., California Division SCAG Liaison, Federal Highway Administration

[<california.lpa@dot.gov>](mailto:california.lpa@dot.gov)

Attachment: Caltrans Incurred Cost Audit SCAG Final Report 08292024 (Caltrans Incurred Cost Audit)



CALTRANS INTERNAL AUDITS OFFICE

DEPARTMENT OF TRANSPORTATION

SCAG Management Response

Item	Item Description	CIAO Recommendation	Management Response	Status
Finding 1:Contract Management, 1	Approving cost incurred by the City of Calexico, which were not authorized by the MOU.	SCAG should manage consultants within the provisions of their contracts. We also recommend SCAG staff review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance, which is available online	Per SCAG procurement manual Section 9.2.12 and 9.2.10 in the last invoice, the Project Manager is authorized to reallocate the budget from one task to another task. This includes reallocation of costs from one category to another. In the instance of the City of Calexico, the MOU authorized \$40,555 to pay for contractor costs to complete the project. The City, having completed the project, requested reimbursement for materials needed for the project in lieu of contractor costs totaling \$3,179. The Project Manager verified that these materials were used and that materials were a qualified expense under the grant prior to approving reimbursement to the City.	Completed
	Approving costs for a consultant employee who was not identified in the contract line-item budget.	SCAG should manage consultants within the provisions of their contracts. We also recommend SCAG staff review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance, which is available online	SCAG agrees with the recommendation. SCAG staff will review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance.	In progress
Finding 1: Contract Management, 3	Twice approving labor costs without supporting timesheets, as required by the contracts.	SCAG should manage consultants within the provisions of their contracts. We also recommend SCAG staff review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance, which is available online	Following confirmation from the Independent Office of Audits and Investigations in December of 2021, SCAG changed its practices to require timesheets showing only the actual hours worked on SCAG projects. While the new practice was implemented for all active contracts, in some cases, SCAG failed to amend the language dictating timesheet requirements. SCAG will amend the remaining nine active contracts containing outdated language to bring them into compliance with our current policy and procedures.	In progress
Finding 1: Contract Management, 4	Failing to require monthly invoices, as required by the contract.	SCAG should manage consultants within the provisions of their contracts. We also recommend SCAG staff review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance, which is available online	SCAG's Project Manager checked in with the subrecipient in order to verify the project status and to follow-up on project invoices. Due to challenges faced by the subrecipient, SCAG only received one invoice from the subrecipient for \$3,179. SCAG agrees with the recommendation. SCAG staff will review the Contract Management Quick Reference Guide workshop video developed by Caltrans Division of Local Assistance.	In progress
Finding 2: Timekeeping	SCAG miscoded 21 labor hours. Mischarges occurred when an employee's time was entered by another employee.	SCAG should institute a control to prevent the miscoding of employees' time when entered by another staff person.	SCAG agrees with the recommendation. SCAG has implemented a new control to prevent this error from reoccurring. When payroll staff keys an employee timesheet, a print screen will be emailed to the employee for their review and approval of the timesheet prior to routing the timesheet to the supervisor.	Completed
Finding 3: Match Requirements, 1	SCAG's monitoring of in-kind match provided by third parties can be improved. 1) Three out of eight local agencies providing in-kind did not identify the source of funding used when reporting the in-kind match. 2) Two agencies used labor costs for its in-kind match but did not identify the names of the staff performing the work. 3) One agency included "Promotional items" in its-kind match without explanation of what the items were.	SCAG should expand its match policy and procedure to identify the specific steps SCAG will take to verify in-kind match contributions qualify as allowable costs.	SCAG agrees with the recommendation. SCAG will develop a template for the in-kind match annual contribution letter and in-kind match reporting letter to incorporate language indicating that no federal funds, only local funds, are being used for the in-kind match. SCAG will update the in-kind policy and will request additional supporting documentation from the third-party partners.	In progress
Finding 3: Match Requirements, 2	SCAG calculates the required match amount for its Overall Work Program elements each month when requesting reimbursement but receives the actual in-kind match provided by their third-party partners on a quarterly basis. Thus running the risk of undermatching for the individual months.	SCAG should collect and report actual match when requesting reimbursement. E.g., submit RFRs quarterly, or report actual match information monthly.	SCAG agrees with the finding. However, modifying invoice timing to quarterly may place significant cashflow challenges on SCAG. To address cash flow issues and ensure compliance with the requirement, SCAG will request tapered match funding.	In progress

California Department of Transportation

DIVISION OF TRANSPORTATION PLANNING
 P.O. BOX 942874, MS-32 | SACRAMENTO, CA 94273-0001
 (916) 653-1818 | TTY 711
www.dot.ca.gov



November 21, 2024

Mr. Kome Ajise
 Executive Director
 Southern California Association of Governments
 900 Wilshire Blvd, Suite 1700
 Los Angeles, CA 90017

Dear Mr. Ajise:

This letter is to notify the Southern California Association of Governments (SCAG) of the California Department of Transportation's (Caltrans) determination of the corrective actions regarding findings identified in the *SCAG Incurred Cost Audit, August 29, 2024*. The audit was performed to determine whether costs claimed by and reimbursed to SCAG were allowable, adequately supported, and in compliance with Title 2 Code of Federal Regulations (CFR) Part 200.

Caltrans Final Incurred Cost Audit Report for SCAG was limited to the examination of the Master Fund Transfer Agreement 74A0822 and Project Numbers ATPLNI-6049(018) and ATPLNI-6049(022). Auditors also tested the procurement of four contracts to evaluate compliance with Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200). The audit was limited to costs claimed between July 1, 2021, and February 13, 2024.

Based on the audit, the Caltrans Internal Audits Office (CIAO) determined that the costs were adequately supported and incurred in accordance with applicable federal and state regulations. However, auditors found issues with compliance with contract provisions, timekeeping, and match requirements.

In response to the audit findings, the Caltrans Division of Transportation Planning (DOTP) and the Division of Local Assistance (DLA) have identified the following corrective actions below.

Finding #1-Contract Management

CIAO tested 16 consultant invoices from 11 different contracts and two memoranda of understanding (MOUs) and found that SCAG did not require consultants to adhere to certain contract provisions in five instances. Specific exceptions included:

"Provide a safe and reliable transportation network that serves all people and respects the environment"

Attachment: SCAG Incurred Cost CAP Letter - signed 11.21.24 (Caltrans Incurred Cost Audit)

- 1) Approving costs incurred by the City of Calexico, which were not authorized by the MOU.
- 2) Approving costs for a consultant employee who was not identified in the contract line-item budget.
- 3) Twice approving labor costs without full supporting timesheets, as required by the contracts.
- 4) Failing to require monthly invoices, as required by the contract.

Corrective Actions:

1A- SCAG must manage consultants within the provisions of their contracts and ensure SCAGs internal contracting and procurement procedures are in alignment with State and Federal requirements. SCAG staff is required to attend the Contract Management Quick Reference Guide workshop video developed by the Caltrans Division of Local Assistance. SCAG must submit a list of key contract management staff that identifies the name and the date when completing the training.
<https://www.youtube.com/watch?v=TcAKuDumWuU&list=PLLaLAhEyCKDDfOr1sSQzF1OJ7CaIL-Tew&index=4>

Finding #2–Timekeeping

SCAG miscoded 21 labor hours. CIAO initially tested 141.5 hours charged to a specific work element and found that 18 of those hours (12.72%) were mischarged. CIAO noted that the mischarges occurred when an employee's time was entered by another employee. CIAO developed a second sample to test specifically for instances when an employee's time was entered by another employee. CIAO's second sample included 91 timesheets entered by another employee, and CIAO identified two additional exceptions, representing three hours (.04% of the second sample).

Exceptions such as these will cause project costs to be misrepresented and/or leave balances to be overstated.

Corrective Actions:

2A- SCAG must institute a control to prevent the miscoding of employees' time when entered by another staff person.

2B- SCAG must set internal controls within the system to generate an alert when an error occurs on the timesheet.

Finding #2 Corrective Action re-opened: SCAG agreed with the recommendation.

SCAG has implemented a new control to prevent this error from reoccurring. When payroll staff keys an employee timesheet, a print screen will be emailed to the employee for their review and approval of the timesheet prior to routing the timesheet to the supervisor.

The Auditor determined this was adequately addressed in the draft report response.

However, Finding 2 has been re-opened, and audit recommendation 2B has been added.

Finding #3–Match Requirements

SCAG's monitoring of in-kind match provided by third parties can be improved. Local match funds cannot come from federal sources and metropolitan planning organizations need to provide solid supporting documentation when "in-kind" is used as the local match. CIAO sampled eight local agencies providing in-kind match, three agencies did not identify the source of funding used when reporting the in-kind match. Two agencies used labor costs for its in-kind match but did not identify the names of staff performing the work. One agency included "promotional items" in its in-kind match without explanation of what the items were. Without sufficient support, the auditor cannot independently determine whether the costs meet the match requirements.

Additionally, SCAG calculates the required match amount for its Overall Work Program work elements each month when requesting reimbursement. On a quarterly basis, SCAG receives and reports the actual in-kind match provided by their third-party partners. As a result, SCAG does not receive the actual match information on a monthly basis and runs the risk of undermatching for individual months when submitting its requests for reimbursement (RFR) while still meeting match for the quarter.

Corrective Actions:

3A- SCAG should expand its match policy and procedure to identify the specific steps SCAG will take to verify that in-kind match contributions qualify as allowable costs.

3B- SCAG will be required to collect and report actual match when requesting reimbursement, e.g., submit RFRs quarterly or report actual match information monthly. Caltrans will work with SCAG on the in-kind match reporting.

3C- Build a team and/or an employee's duties to be designated as a liaison between finance, planning, and contract management that will provide contract and procurement management expertise and consultation.

Conclusion:

Please prepare a corrective action plan that outlines the actions SCAG will take to resolve the audit findings, including dates for when the corrective actions will be completed, and provide the plan to Erin Thompson, Chief, Office of Regional and Community Planning, within **60 days** of this letter. SCAG must implement all corrective actions and provide documentation to support the corrective actions within one year of when the corrective action plan is submitted to Caltrans.

Failure by SCAG to make the required corrective actions will result in Caltrans not recommending approval of SCAG's FY 2025–26 OWP and an increase in the potential for future disallowed costs. A final report detailing how and when all corrective actions were resolved will be due to the Caltrans DOTP upon the satisfactory fulfillment of all corrective actions.

The CIAO may perform a follow-up audit after all corrective actions have been made to determine if SCAG has implemented adequate corrective measures for each audit finding and to ensure compliance with Caltrans agreements and federal and state rules and regulations.

SCAG's progress with regard to the corrective actions and final resolutions will be closely monitored by Caltrans staff, including any follow-up audit work that may be performed. Additionally, all support documentation and corrective actions provided by SCAG will be reviewed by Caltrans staff.

We appreciate SCAG's cooperation and coordination during this process. If you have any questions, please contact Erin Thompson at (916) 261-3326 or by email at erin.thompson@dot.ca.gov.

Sincerely,

Yatman Kwan

YATMAN KWAN,
Interim Division Chief, Transportation Planning

c:
Cindy Giraldo, Chief Financial Officer, SCAG
Rodney Whitfield, Director of Financial Services, FHWA
Antonio Johnson, Director of Planning, Environment and Right of Way, FHWA
Cayla McDonell-Encina, Team Leader, Planning and Air Quality, FHWA
Mary Nguyen, Director of Planning and Program Development, FTA

Mr. Kome Ajise, Executive Director
November 21, 2024
Page 5

Mervin Acebo, Team Leader, Planning and Program Development, FTA
Gloria Roberts, District Director, District 7, Caltrans
Marlon Regisford, Deputy District Director, District 7, Caltrans
Cole Iwamasa, Supervising Transportation Planner, District 7, Caltrans
Kevin Lum, Senior Transportation Planner, District 7, Caltrans
Daniel Burke, Supervisor, Program and Reviews Outreach Branch, Office of Guidance
and Oversight, Division of Local Assistance, Caltrans
Ben Shelton, Audit Chief, Caltrans Internal Audits Office
Gerald Lee, Audit Manager, Caltrans Internal Audits Office

Attachment: SCAG Incurred Cost CAP Letter - signed 11.21.24 (Caltrans Incurred Cost Audit)

SCAG Incurred Cost CAP Letter

Final Audit Report

2024-11-21

Created:	2024-11-21
By:	Michelle Miles (s160956@dot.ca.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAzKx61dVFCPCMujYc04CnmWxQ7pTOtHJH

"SCAG Incurred Cost CAP Letter" History

-  Document created by Michelle Miles (s160956@dot.ca.gov)
2024-11-21 - 6:54:53 PM GMT- IP address: 149.136.17.248
-  Document emailed to Yatman Kwan (yatman.kwan@dot.ca.gov) for signature
2024-11-21 - 6:55:17 PM GMT
-  Email viewed by Yatman Kwan (yatman.kwan@dot.ca.gov)
2024-11-21 - 9:31:17 PM GMT- IP address: 149.136.17.249
-  Document e-signed by Yatman Kwan (yatman.kwan@dot.ca.gov)
Signature Date: 2024-11-21 - 9:32:09 PM GMT - Time Source: server- IP address: 149.136.17.249
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AGENDA ITEM 4
REPORT

Southern California Association of Governments
December 10, 2024

To: Audit Committee (AC)
From: David James, Internal Auditor
(213) 630-1483, djames@scag.ca.gov
Subject: Audit Status Report

EXECUTIVE DIRECTOR'S
APPROVAL

Kome Ajise

RECOMMENDED ACTION:
Information Only – No Action Required

STRATEGIC PRIORITIES:
This item supports the following Strategic Priority 5: Secure and optimize diverse funding sources to support regional priorities.

- EXECUTIVE SUMMARY:**
- *Internal audit of REAP 1 grant expenditures report is complete.*
 - *Internal audit of SCAG data is in progress.*
 - *Update of Internal Audits Policies and Procedures Manual is planned.*
 - *No new hotline reports since last Audit Committee meeting.*

BACKGROUND:
A. Internal Audit Report of REAP 1 Grant Expenditures by Subrecipients

Internal Audit has completed an audit report on REAP 1 grant expenditures by subrecipients. This audit involved reviewing invoices for REAP 1 projects for a random sample of subrecipients. The audit period covers REAP 1 activity from when program charges began on October 1, 2019 to when REAP 1 projects were completed by June 30, 2023. This audit focuses on financial transactions and requirements for REAP 1. SCAG management has reviewed the audit report and responded to it. The results of this audit will be presented to the management of the selected subrecipients for their comments and response.

B. Internal Audit of SCAG Data

Internal Audit is currently auditing SCAG data. The audit objectives are to assess processes for how data is acquired, maintained, and verified. The audit reviews the accuracy of data, risks, and internal controls. The audit scope covers outward facing data such as in SCAG’s Regional Data Platform that



are currently in use. Not included is SCAG internal data such as for accounting, financial reporting, and human resources.

This audit is in the fieldwork stage, with staff interviews and test work ongoing. Internal Audit expects to present a draft of the report to SCAG management in early 2025.

C. Update to the SCAG Internal Audit Policies and Procedures Manual

Internal Audit plans a revision of the SCAG Internal Audit Policies and Procedures Manual. This manual was last updated ten years ago, and several sections are out of date from current practices and standards. This update will clarify current internal audit practices and audit protocols for staff and auditees.

D. SCAG Ethics Hotline Reports Update

No reports were submitted to SCAG’s ethics hotline since the last Audit Committee meeting in June 2024.

FISCAL IMPACT:

None