



SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS
900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017
T: (213) 236-1800
www.scag.ca.gov

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Transportation Commission

MEETING OF THE

AUDIT
COMMITTEE

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

**Wednesday, April 15, 2026
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/84900261526>

To Attend and Participate by Phone:

**Call-in Number: 1-669-900-6833
Meeting ID: 849 0026 1526**

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: <https://scag.ca.gov/meetings-leadership>.

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation 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) 236-1895. 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/84900261526>. 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: 849 0026 1526**, 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.

1. **In Writing:** Written comments can be emailed to: ePublicComment@scag.ca.gov. Written comments received **by 5pm on Tuesday, April 14, 2026**, 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 Tuesday, April 14, 2026 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.
2. **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.
3. **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

<p>Jenny Crosswhite City of Santa Paula - City Hall 970 E Ventura Street Santa Paula, CA 93060</p>	<p>Curt Hagman Chino Hills District Office 14010 City Center Drive Chino Hills, CA 91709</p>
<p>Steve Manos 53180 Odyssey Street Lake Elsinore, CA 92532</p>	<p>Ali Saleh City of Bell – City Hall Conference Room 6330 Pine Avenue Bell, CA 90201</p>
<p>Marty Simonoff Brea Civic & Cultural Center 1 Civic Center Circle MS Teams Room – Level 3 Brea, CA 92821</p>	<p>Alan Wapner City of Ontario - City Hall 303 East B Street Conference Room 1 Ontario, CA 91764</p>

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



AC - Audit Committee Members – April 2026

- 1. Hon. Jenny Crosswhite**
AC Chair, Santa Paula, RC District 47
- 2. Hon. Keith Eich**
La Canada Flintridge, District 36
- 3. Sup. Curt Hagman**
San Bernardino County
- 4. Hon. Steve Manos**
Lake Elsinore, RC District 63
- 5. Hon. Ali Saleh**
Bell, RC District 27
- 6. Hon. Marty Simonoff**
Brea, RC District 22
- 7. Hon. Alan Wapner**
SBCTA Representative



AUDIT COMMITTEE AGENDA

Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700 – Policy B Meeting Room
Los Angeles, CA 90017

Wednesday, April 15, 2026

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 Jenny Crosswhite, 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 – December 10, 2025 PPG. 6

INFORMATION ITEMS

2. Eide Bailly Planning Communication for the June 30, 2026 Audit 15 Mins. PPG. 12
(David James, Internal Auditor, SCAG)
3. Eide Bailly Results of the Single Audit for June 30, 2025 15 Mins. PPG. 17
(David James, Internal Auditor, SCAG)
4. Internal Audit Report on In-kind Match Contributions of San Bernardino County Transportation Authority (SBCTA) PPG. 43
10 Mins.
(David James, Internal Auditor, SCAG)
5. Internal Audit Report on In-kind Match Contributions of Orange County Transportation Authority (OCTA) PPG. 53
10 Mins.
(David James, Internal Auditor, SCAG)
6. Audits Status Report 10 Mins. PPG. 65
(David James, Internal Auditor, SCAG)

ADJOURNMENT



Southern California Association of Governments
April 15, 2026

**AUDIT COMMITTEE (AC)
MINUTES OF THE MEETING
WEDNESDAY, DECEMBER 10, 2025**

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. Jenny Crosswhite, Chair	<i>Santa Paula</i>	District 47
Hon. Keith Eich	<i>La Canada Flintridge</i>	District 36
Hon. Steve Manos	<i>Lake Elsinore</i>	District 63
Hon. Marty Simonoff	<i>Brea</i>	District 22
Hon. Alan D. Wapner		SBCTA

Members Not Present:

Sup. Curt Hagman		San Bernardino County
Hon. Ali Saleh	<i>Bell</i>	District 27

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Honorable Jenny Crosswhite called the meeting to order at 2:36 p.m. She asked Councilmember Alan Wapner, SBCTA, to lead the Pledge of Allegiance. The Clerk confirmed a quorum was present.

PUBLIC COMMENT PERIOD

Chair Crosswhite 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 5:00 p.m. deadline on Tuesday, December 9, 2025. SCAG staff also noted that there were no public comments for matters not listed on the agenda.

Chair Crosswhite 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 – April 2, 2025

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

AYES: Crosswhite, Eich, Manos, Simonoff, and Wapner (5)

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 Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025

David James, Internal Auditor, introduced Kyle Bartle, Senior Manager, Eide Bailly LLP, and asked him to present the results of the annual SCAG financial statements audit and Single Audit for the fiscal year ended June 30, 2025.

Mr. Bartle presented the audit results and noted the required communication to those in charge with governance as required under the government auditing standards.

The presentation included an overview of the audit engagement and responsibilities in relation to financial statements under Government Auditing Standards (GAS). He reported that the financial statements received an unmodified opinion with no material weaknesses or deficiencies. He noted that the single audit, which includes the federal grant audit, was expected to be completed by March 31, 2026, due to delays in the audit guide.

Highlights of the audit results included the following:

- Audit on internal control over financial reporting and on compliance in accordance with Generally Accepted Auditing Standards and Government Auditing Standards;
- Audit of the Annual Comprehensive Financial Report (ACFR) and Single Audit;
- Testing of its compliance requirements with certain provisions of laws, regulations, contracts, and noncompliance which could have a direct and material effect on the determination of financial statement amounts; and
- Audit review of revenue recognition and estimates related to pension and other post-employment benefit amounts, including a brief mention of GASB Statement 101-Compensated Absences Impacts.

Mr. Bartle concluded his presentation by noting there were no uncorrected misstatements identified as a result of the audit, no material weakness or instances of noncompliance.

Mr. Bartle, Darin Chidsey, Chief Operating Officer and Cindy Giraldo, Chief Financial Officer, responded to the comments and questions expressed by the Councilmembers, including responses to comments regarding estimated payment projections or outlook, CalPERS assumptions and SCAG's pension liability. The Committee asked staff to disseminate the payment projects outlook report to the Audit Committee.

The Committee thanked Eide Bailly for a thorough presentation.

There were no public comments received on this item.

3. Internal Audit Report on SCAG's Regional Data Platform

David James, Internal Auditor, presented findings of the Regional Data Platform (RDP) audit. Mr. James stated that the primary objective of the audit was to review the functionality of the datasets, the usefulness and currentness of the regional data platform. He noted that the RDP did meet its purpose to provide access to data and tools to support planning and information-based decision making. However, the audit found issues with ten datasets not working, data ownership was unclear, and some information was possibly outdated.

Mr. James noted that SCAG management committed to addressing all audit recommendations, including assigning staff to individual datasets and implementing universal disclaimers.

Staff responded to the comments and questions expressed by the Councilmembers, including responses to comments regarding the prioritization of datasets when out of sync and the frequency of verifying data across the region. Additional data governance concerns were discussed, including

the timeline for addressing the recommendations outlined in the report, and details for decommissioning or archiving dataset applications. Staff ensured that additional testing and follow-up would be part of the Internal Audit plan for next year.

There were no public comments received on this item.

4. Internal Audit Report on In-kind Match Contributions of Riverside County Transportation Commission

David James, Internal Auditor, provided background information and an overview of the key audit objectives and scope for the In-kind Match Contributions audit of the Riverside County Transportation Commission (RCTC). He noted that the objective was to determine whether claimed costs were adequately supported and incurred in accordance with SCAG policy and were allowed per Title 2 of the Code of Federal Regulations, Part 200.

Mr. James noted that Internal Audit found that RCTC accurately reported its in-kind match contributions to SCAG.

Darin Chidsey, Chief Operating Officer, provided insights into the Caltrans audit objectives as it relates to SCAG's transportation resources that require a local match. He pointed out that that Mr. James would continue to provide in-kind match auditing for the remaining SCAG county transportations commissions/organizations to ensure claimed costs were adequately supported and in accordance with federal law and SCAG policy.

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

5. 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 fiscal year (FY) 2026-27. Presentation highlights included background information and scope for the upcoming audits:

- Internal Audit of In-kind Match Contributions for SCAG's four county transportations commissions/organizations; and
- Internal Audit organization-wide risk assessment of SCAG operations.

Chair Crosswhite thanked Mr. James for the Audit Status Report update.

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

FUTURE AGENDA ITEMS

There were no future agenda items.

ANNOUNCEMENTS

There were no announcements.

ADJOURNMENT

There being no further business, Chair Crosswhite adjourned the meeting of the Audit Committee at 3:34 p.m.

Respectfully submitted by:
Carmen Summers
Audit Committee Clerk

[MINUTES ARE UNOFFICIAL UNTIL APPROVED BY THE AUDIT COMMITTEE]

//

AUDIT COMMITTEE ATTENDANCE REPORT

FY 2025-26

MEMBERS	Representing	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	Total Mtgs Attended To Date
Jenny Crosswhite	Santa Paula, RC District 47							1					1
Keith Eich	La Canada Flintridge, District 36							1					1
Hagman, Curt	San Bernardino County												
Manos, Steve	Lake Elsinore, RC District 63							1					1
Saleh, Ali	Bell, RC District 27												
Simonoff, Marty	Brea, RC District 22							1					1
Wapner, Alan	SBCTA Representative							1					1



AGENDA ITEM 2

REPORT

Southern California Association of Governments
April 15, 2026

To: AC - Audit Committee

EXECUTIVE DIRECTOR'S
APPROVAL

From: David James, Internal Audit Manager
213-630-1483, djames@scag.ca.gov

A handwritten signature in blue ink that reads "Kome Ajise".

Subject: Eide Bailly Required Audit Communication

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 auditors, Eide Bailly, present the planning communication for the June 30, 2026 audit. The presentation will include the preparation of the annual Financial Transactions Report to the State Controller's Office, which is a non-attest service, so not within the scope of the audit work.

FISCAL IMPACT:

None

ATTACHMENT(S):

1. PowerPoint Presentation - 2026 Planning Communication
-

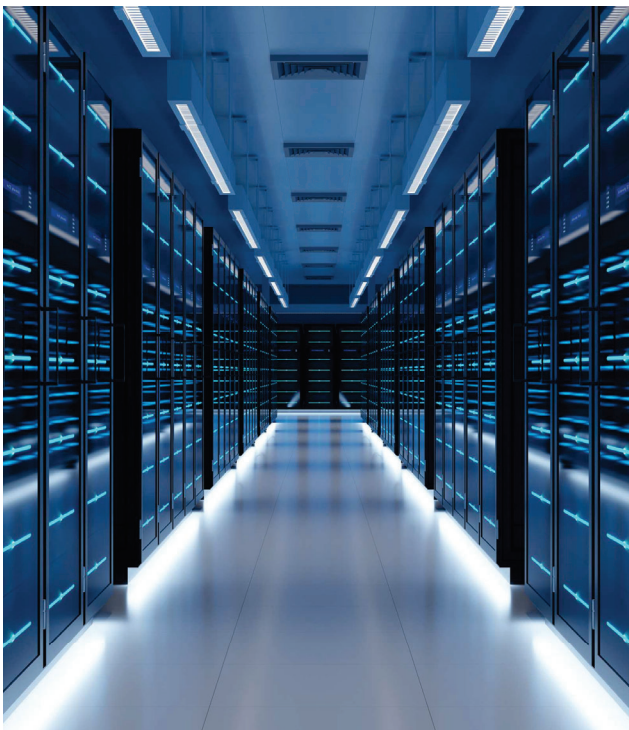


Southern California Association of Governments (“SCAG”)

Communication with Those Charged with Governance For the Fiscal Year Ended June 30, 2026
April 15, 2026



1



Audit Services

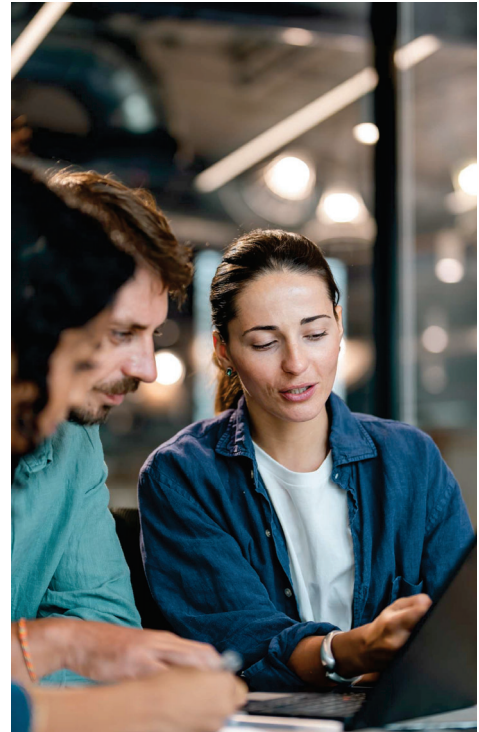
- Fiscal year ended June 30, 2026:
 - Audit of the Annual Comprehensive Financial Report (ACFR)
 - Single Audit



Our Responsibility in Accordance with Professional Standards and the Uniform Guidance

- Form and express an opinion about whether the financial statements which are the responsibility of management, with your oversight, are presented fairly, in all material respects, in accordance with U.S. GAAP.
- Our responsibility is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Form and express an opinion on SCAG's compliance for each major federal program.

3



Our Responsibility (continued)

- Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures:
 - Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity
- Identify areas potentially more susceptible to misstatement, thereby requiring special audit considerations. These are designated by as “significant risks”.
- No opinion on internal control will be expressed

4



Our Responsibility (continued)

- Communicate other matters:
 - Qualitative aspects of accounting policies, accounting estimates and note disclosures
 - Difficulties encountered
 - Corrected and uncorrected misstatements
 - Disagreements with management
 - Management representations
 - Consultations with other accountants

5



Engagement Timeline



- Planning – Beginning April 2026
- Interim Fieldwork – May 2026
- Final Fieldwork – Beginning September 2026
- Report Issuance – November 2026

6





Kinnaly Soukhaseum | Partner
909.755.2823 | ksoukhaseum@eidebailly.com

Kyle Bartle | Senior Manager
916.999.8512 | kbartle@eidebailly.com

Thank you

eidebailly.com

7

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.



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AGENDA ITEM 3

REPORT

Southern California Association of Governments
April 15, 2026

To: AC - Audit Committee
From: David James, Internal Audit Manager
213-630-1483, djames@scag.ca.gov
Subject: Results of the Single Audit for June 30, 2025

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:

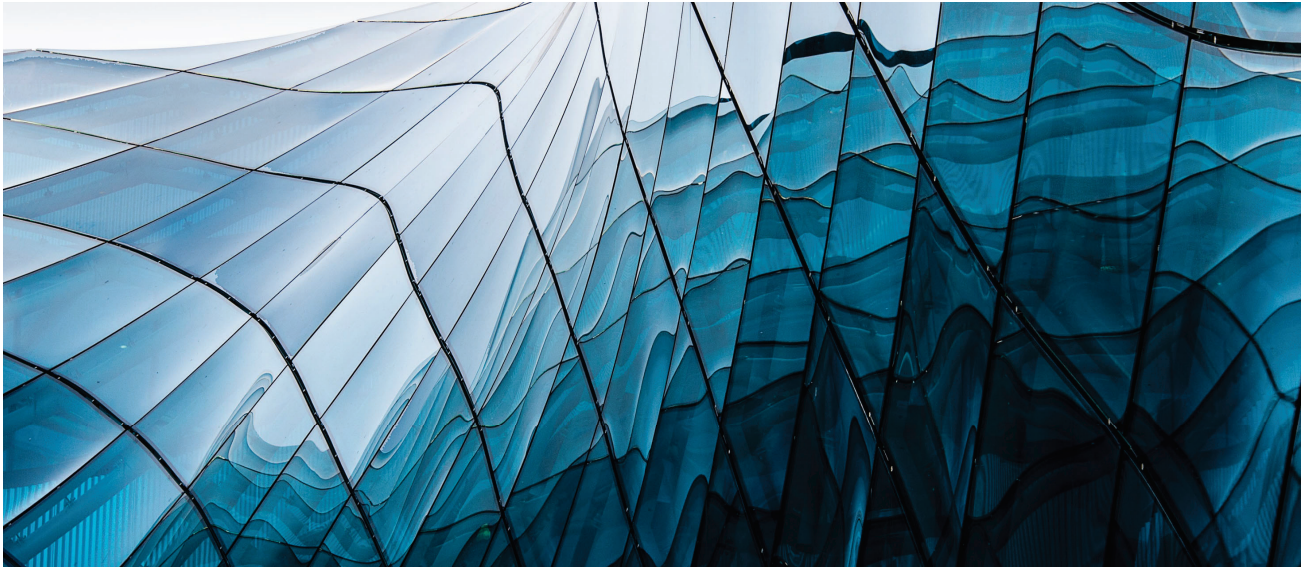
SAG's external auditors, Eide Bailly, present the results of the Single Audit for June 30, 2025. The single audit completion was delayed due to the federal government not releasing the 2025 Office of Management and Budget Compliance Supplement. SCAG has prepared a Corrective Action Plan for the Single Audit Report to address a finding that not all provisions were provided at the time of the contract award for two of four contracts selected for the audit.

FISCAL IMPACT:

None

ATTACHMENT(S):

1. PowerPoint Presentation - Results of the Single Audit for June 30, 2025
2. Eide Bailly Single Audit Governance Letter
3. Eide Bailly's Single Audit Report of SCAG
4. SCAG Corrective Action Plan for Single Audit Report



Southern California Association of Governments (“SCAG”)

Communication with Those Charged with Governance For the Fiscal Year Ended June 30, 2025
April 15, 2026



1



Audit Services

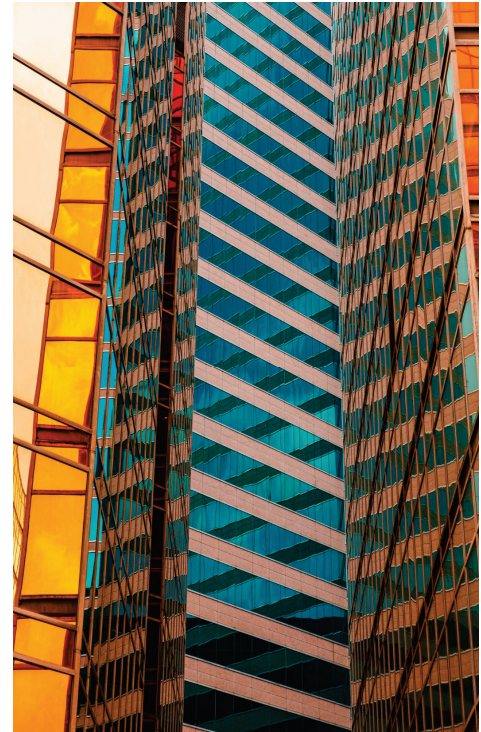
- Fiscal year ended June 30, 2025:
 - Audit of the Annual Comprehensive Financial Report (ACFR)
 - Single Audit



Our Responsibility in Accordance with Professional Standards and the Uniform Guidance

- Form and express an opinion about whether the financial statements which are the responsibility of management, with your oversight, are presented fairly, in all material respects, in accordance with U.S. GAAP.
- Our responsibility is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Form and express an opinion on SCAG's compliance for each major federal program.

3



Summary of Audit Results



Financial Statements

- Unmodified “clean” opinion on SCAG’s ACFR for the fiscal year ended June 30, 2025.

Government Auditing Standards

- No material weaknesses or significant deficiencies were reported for our audit of the fiscal year ended June 30, 2025.



Single Audit

- Unmodified “clean” opinion on SCAG’s major programs for the fiscal year ended June 30, 2025.
- A significant deficiency and an instance of non-compliance was identified as a result of our audit procedures

4

Auditor Communications

Ethics and Independence

- We have complied with all relevant ethical requirements regarding independence.

Significant Accounting Policies

- Summary of significant accounting policies – Note 2 to the Schedule of Expenditure of Federal Awards

Significant Risks Identified

- Management override of internal controls.

Circumstances that Affect the Form and Content of the Auditor's Report

- None required.

Corrected and Uncorrected Misstatements

- There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Significant Difficulties

- We encountered no significant difficulties in dealing with management.

Disagreements with Management

- No disagreements arose during the course of the audit.



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Kyle Bartle | Senior Manager
916.999.8512 | kbartle@eidebailly.com

Thank you

eidebailly.com



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March 19, 2026

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

We have audited the financial statements of the Southern California Association of Governments (SCAG) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 14, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our discussion on April 22, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether SCAG complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SCAG major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of SCAG solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of SCAG's major federal program compliance, is to express an opinion on the compliance for each of SCAG's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of SCAG's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 14, 2025. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor’s Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 19, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor’s report, 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 is considered an inherent risk according to GAAS
- Revenue recognition
- Significant estimates related to pension amounts, other post-employment benefit amounts, and compensated absences

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SCAG is included in Note 1 to the financial statements. As discussed in Notes 1 and 16 to the financial statements, SCAG has changed accounting policies related to accounting for compensated absences to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements consist of:

- 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.
- Amounts related to sick leave included in compensated absences liability are based on management's estimate of the amounts likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

We evaluated the key factors and assumptions used to develop the estimates above and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting SCAG's financial statements relate to:

- The disclosures of SCAG's agent multiple-employer defined benefit pension plan and PARS supplementary retirement plan, net pension liability, and related deferred outflows and inflows of resources, and pension expense in Note 12 to the financial statements. The valuations of the net pension liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used, including but not limited to, the discount rate. As disclosed in Note 12, a 1% increase or decrease in the discount rate has a significant effect on SCAG's net pension liabilities.
- The disclosures related to SCAG's retiree health program OPEB plan, net OPEB liability, and related deferred outflows and inflows of resources, and OPEB expense, in Note 14 to the financial statements. The valuations of the net OPEB liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the discount rate and healthcare cost trend rates. As disclosed in Note 14, a 1% increase or decrease in the discount rate and healthcare cost trend rates has a significant effect on SCAG's net OPEB liability.
- As disclosed in Note 1 and 16 of the financial statements, SCAG recorded a restatement related to the implementation of GASB Statement No. 101, *Compensated Absences*, that resulted in the restatement of beginning net position as of July 1, 2024.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Notes 1 and 16 to the financial statements, due to the adoption of GASB Statement No. 101, *Compensated Absences*, SCAG restated beginning net position as of July 1, 2024. The purpose of the paragraph is to draw attention to the disclosures for the adoption of the standards update. We have included an emphasis of matter in our report regarding this restatement. We did not modify our opinion related to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated November 14, 2025 for the basic financial statements and dated March 19, 2026 for the single audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SCAG, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SCAG's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in SCAG's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have we have read the introductory and statistical sections of SCAG's annual report considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Members of the Regional Council, and management of SCAG and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Ontario, California

Federal Awards Reports in
Accordance with the Uniform Guidance
June 30, 2025

**Southern California
Association of Governments**

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 1

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance..... 3

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments (SCAG), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SCAG’s basic financial statements, and have issued our report thereon dated November 14, 2025. Our report included an emphasis of matter paragraph indicating the adoption of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCAG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
November 14, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Southern California Association of Government (SCAG)’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of SCAG’s major federal programs for the year ended June 30, 2025. SCAG’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, SCAG complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SCAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SCAG’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to SCAG’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SCAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SCAG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SCAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the SCAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the SCAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on SCAG's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. SCAG's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on SCAG's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. SCAG's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SCAG as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SCAG's basic financial statements. We issued our report thereon dated November 14, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting

and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eide Bailly LLP

Ontario, California
March 19, 2026

Southern California Association of Governments
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Financial Assistance Listing	Program / Project or Pass-through Identification Number	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation				
Passed through the California Department of Transportation:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research:				
FTA Metropolitan Planning Section 5303	20.505	74A0822/74A1619	\$ 12,942,811	\$ -
FTA State Planning and Research Section 5304	20.505	74A0822/74A1619	14,657	-
Subtotal - Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			<u>12,957,468</u>	<u>-</u>
Highway Planning & Construction:				
FHWA Metropolitan Planning (PL)	20.205	74A0822/74A1619	22,907,457	-
FHWA State Planning and Research/Partnership Planning	20.205	74A0822/74A1619	13,066	-
FHWA Highway Infrastructure Programs (HIP)	20.205	CPFL-6049(028)	122,534	-
FHWA Carbon Reduction Program (CRP) (Smart Cities and Mobility Innovations)	20.205	CRPL-6049(030)	196,692	-
FHWA Carbon Reduction Program (CRP) (Transportation Data Analytics TA Program)	20.205	CRPL-6049(037)	16,216	-
FHWA Carbon Reduction Program (CRP) (Pricing & Incentives)	20.205	CRPL-6049(033)	99,046	-
FHWA Carbon Reduction Program (CRP) (Last Mile Freight Program Phase 2)	20.205	CRPL-6049(031)	22,679	-
FHWA Carbon Reduction Program (CRP) (Comprehensive Sustainable Freight Plan and Implementation Strategy)	20.205	CRPL-6049(032)	331,568	-
FHWA Carbon Reduction Program (CRP) (RPI Program)	20.205	CRPL-6049(034)	637,777	-
FHWA Congestion Mitigation and Air Quality Improvement Program (CMAQ) (2028 Games Freight TDM implementation)	20.205	CML-6049(036)	130,984	-
FHWA Congestion Mitigation and Air Quality Improvement Program (CMAQ) (2028 Games TDM Initiation Plan and Implementation)	20.205	CML-6049(035)	127,616	-
FHWA Surface Transportation Block Grant (STBG) (Regional Planning Activities)	20.205	STPL-6049(040)	174,857	-
Subtotal - Highway Planning & Construction			<u>24,780,492</u>	<u>-</u>
Passed through the California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Hwy Safety (Pedestrian and Bicycle Safety Program)	20.600	PS24044	778,221	408,445
State and Community Hwy Safety (Transportation Safety Predictive Modeling and Analysis Platform)	20.600	TR24024	292,238	-
State and Community Hwy Safety (Pedestrian and Bicycle Safety Program)	20.600	PS25056	409,688	-
Subtotal - State and Community Hwy Safety			<u>1,480,147</u>	<u>408,445</u>
National Priority Safety Programs (Transportation Safety Predictive Modeling and Analysis Platform)	20.616	TR25043	395,547	-
Subtotal - Highway Safety Cluster			<u>1,875,694</u>	<u>408,445</u>
Total - U.S. Department of Transportation			<u>39,613,654</u>	<u>408,445</u>
U.S. Department of Energy				
Direct Programs:				
Conservation Research and Development:				
DOE/NETL Clean Cities Outreach	81.086	DE-EE0009553	65,864	-
Passed through the University of California:				
Conservation Research and Development:				
DOE/NETL Artificial Intelligence-Base Mobility Monitoring System	81.086	2021-1605	13,930	-
Passed through the LA Cleantech Incubator:				
Conservation Research and Development:				
DOE/NETL Testing and Evaluation of Curb Management	81.086	DE-EE0009659	42,687	-
Total - U.S. Department of Energy			<u>122,481</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 39,736,135</u>	<u>\$ 408,445</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Southern California Association of Governments (SCAG) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of SCAG, it is not intended to and does not present the financial position, or changes in net position of SCAG.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

SCAG has not elected to use the de minimis indirect cost rate of up to 15%.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Highway Planning & Construction	20.205
Highway Safety Cluster	20.600/20.616
Dollar threshold used to distinguish between type A and type B programs:	\$1,192,084
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

2025-001 **Program Name:** Highway Planning and Construction
ALN No.: 20.205
Federal Grantor: U.S. Department of Transportation
Passed-Though: California Department of Transportation
Award No. and Year: 74A0822/74A1619, 2024 & 2025

Compliance Requirement: Procurement and Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control, Instance of Non-Compliance

Criteria:

2 CFR section Appendix II to Part 200, Contract Provisions for Non-Federal Entity Contracts Under Federal Awards states that in addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain certain provisions, as applicable.

Condition:

During our testing of SCAG’s provisions for procurement requirements, we noted that not all required provisions were provided at the time of the contract award for two (2) of the four (4) contracts selected for testing. Of the applicable provisions for these two (2) contracts, based on the type and value of the contract, we noted the following missing provisions:

1. Legal remedies for breach of contract (Provision A) (1 instance)
2. Termination for cause and convenience (Provision B) (2 instances)
3. Clean Air Act and Federal Water Pollution Control Act (Provision G) (1 instance)
4. Suspension and Debarment (Provision H) (1 instance)
5. Byrd Anti-Lobbying (Provision I) (2 instances)

Cause:

SCAG did not consistently ensure that the applicable required provisions were communicated to contractors.

Effect:

SCAG did not include the applicable required provisions of the contract to the contractors at the time of the contract award. By failing to include all required provisions, contractors may not know the requirements they need to comply with.

Questions Costs:

No questioned costs were identified as a result of our procedures.

Context/Sampling:

A nonstatistical sample of 4 out of 9 procurement contracts were selected for procurement and suspension and debarment testing.

Repeat Finding from Prior Year(s):

No.

Recommendation:

We recommend that SCAG modify and strengthen the current policies and procedures to ensure that all applicable required provisions are communicated to contractors in accordance with 2CFR Appendix II to Part 200.

Views of Responsible Officials and Planned Corrective Action

Management agrees. See separate corrective action plan.

Financial Statement Findings

None reported.

Federal Award Findings

None reported.



INNOVATING FOR A BETTER TOMORROW

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Mike T. Judge, Ventura County
Transportation Commission

April 7, 2026

Corrective Action Plan

Finding 001 Summary:

During the FY 2024-25 testing, it was noted that not all required provisions were provided at the time of the contract award for two (2) of the four (4) contracts selected.

Responsible Individual for the Implementation of the Corrective Action Plan:

Cindy Giraldo, Chief Financial Officer
Erika Bustamante, Deputy Director

Corrective Action Plan:

SCAG is in the process of amending the affected contracts, as applicable, to incorporate the required federal contract provisions under 2 CFR Part 200. In addition, as of March 2026, SCAG has implemented an updated SCAG Procurement Policy & Procedures Manual, which strengthens procurement controls and standardizes contract requirements for federally funded procurements. To further strengthen internal controls, SCAG will implement the following measures:

- Standardized contract templates that incorporate required federal contract provisions.
- Procurement checklists and review procedures requiring staff to verify that all federal provisions are included prior to contract execution.

These actions are intended to ensure that all applicable required provisions are communicated to contractors and included in contracts executed under federal awards.

Anticipated Completion Date:

April 2026



AGENDA ITEM 4

REPORT

Southern California Association of Governments
April 15, 2026

To: AC - Audit Committee

From: David James, Internal Audit Manager
213-630-1483, djames@scag.ca.gov

Subject: Internal Audit Report on In-kind Match Contributions of San Bernardino County Transportation Authority (SBCTA)

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:

SCAG Internal Audit found that San Bernardino County Transportation Authority (SBCTA) accurately reported its staff hours and projects for in-kind match contributions to SCAG. However, SBCTA included in its reports to SCAG fringe benefit rates for a prior fiscal year, causing the total dollar amounts calculated to be incorrect. Because SBCTA is substantially over the total dollar amounts requested by SCAG, this did not affect the in-kind match dollar amounts SCAG used. SBCTA management has redone the affected quarterly reports to SCAG with the correct fringe benefit rates and will change procedures to ensure the correct fringe benefit rates are used in the future.

BACKGROUND:

In-kind match refers to non-cash contributions that can be used to meet the matching or cost-sharing requirements for federal grants. An in-kind match is a type of cost-sharing contribution that includes the value of services, goods, and staff time provided to support a project funded by a federal grant. The value of in-kind contributions must be documented and verifiable. This includes keeping records that show how the value was determined for goods or services. In-kind contributions must be necessary, reasonable, and allowable under the federal program's guidelines.

Caltrans Internal Audits Office (CIAO) performed an incurred cost audit of SCAG and issued a report on August 24, 2024. CIAO sampled local agencies providing in-kind match. The report notes that without sufficient support, the auditors cannot independently determine whether the costs meet the match requirements. SCAG management agreed with the audit recommendations. SCAG staff developed a template for an in-kind match annual contribution letter with language indicating that no federal funds, only local funds, are being used for the in-kind match. SCAG has updated their in-



kind match policy and requested additional supporting documentation from the five county transportation commissions in its region that participate in in-kind match.

SCAG Internal Audit is auditing five county transportation commissions in the SCAG region that provide in-kind match reports to SCAG.

FISCAL IMPACT:

None

ATTACHMENT(S):

1. Internal Audit Report on In-kind Match Contributions of San Bernardino County Transportation Authority (SBCTA)



**SCAG Internal Audit Report on
In-kind Match Contributions of
San Bernardino County Transportation Authority
(SBCTA)**

February 25, 2026

By David James, CPA

SCAG Internal Audit Manager

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Executive Summary

SCAG Internal Audit found that San Bernardino County Transportation Authority (SBCTA) accurately reported its staff hours and projects for in-kind match contributions to SCAG. However, SBCTA included in its reports to SCAG fringe benefit rates for a prior fiscal year, causing the total dollar amounts calculated to be incorrect. Because SBCTA is substantially over the total dollar amounts requested by SCAG, this did not affect the in-kind match dollar amounts SCAG used. SBCTA management has redone the affected quarterly reports to SCAG with the correct fringe benefit rates and will change procedures to ensure the correct fringe benefit rates are used in the future. See the “Observation and Recommendations” on page 7.

Audit Objectives and Scope

The purpose of this audit was to verify that in-kind match contributions of SBCTA match allowable costs. The objective of the audit was to determine whether the claimed costs were adequately supported and incurred in accordance with federal law and SCAG policy.

The audit was limited to costs claimed between July 1, 2023 and June 30, 2025.

Audit Methodology

To achieve the audit objectives, Internal Audit performed the following:

- Reviewed applicable federal laws related to in-kind match contributions
- Reviewed SCAG policies, procedures, and records related to in-kind match contributions
- Reviewed the 2024 incurred cost audit of SCAG by Caltrans Internal Audits Office and its finding regarding in-kind contributions
- Performed testwork on SCAG documents related to in-kind match of SBCTA that supported their claimed costs
- Performed testwork on SBCTA documents related to their in-kind match contributions for SCAG
- Obtained an understanding of internal controls and evaluated control design and effectiveness regarding in-kind contributions at SCAG and SBCTA.

Background for In-kind Match Contributions

In-kind match refers to non-cash contributions that can be used to meet the matching or cost-sharing requirements for federal grants. An in-kind match is a type of cost-sharing contribution that includes the value of services, goods, and staff time provided to support a project funded by a federal grant.

The value of in-kind contributions must be documented and verifiable. This includes keeping records that show how the value was determined for goods or services. In-kind contributions must be necessary, reasonable, and allowable under the federal program's guidelines.

Criteria for In-kind Match Contributions

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.”

2 CFR 200.306(e) states: “Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.”

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.”

Caltrans Internal Audits Office (CIAO) Audit of SCAG – Issue with In-kind Match

Caltrans Internal Audits Office (CIAO) performed an incurred cost audit of SCAG and issued a report on August 24, 2024. CIAO sampled local agencies providing in-kind match and found that some agencies did not identify the source of funding used when reporting the in-kind match. Two agencies used labor costs for their 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. The report notes that without sufficient support, the auditors cannot independently determine whether the costs meet the match requirements.

SCAG staff agreed with the audit recommendations. SCAG staff developed a template for an in-kind match annual contribution letter with language indicating that no federal funds, only local funds, are being used for the in-kind match. SCAG has updated their in-kind match policy and requested additional supporting documentation from the five county transportation commissions in its region that participate in in-kind match.

SCAG Internal Audit is auditing all county transportation commissions that do in-kind matches with SCAG.

San Bernardino County Transportation Authority (SBCTA)

SBCTA is responsible for cooperative regional planning and furthering an efficient multi-modal transportation system countywide. SBCTA administers Measure I, the half-cent transportation sales tax approved by county voters in 1989, and supports freeway construction projects, regional and local road improvements, train and bus transportation, railroad crossings, call boxes, ridesharing, congestion management efforts, and long-term planning studies.

SBCTA In-kind Contributions Reporting to SCAG

With each quarterly report of in-kind match costs, SBCTA certifies that in accordance with 2 *CFR* 200, SBCTA agrees that the in-kind services match:

- Are verifiable in SBCTA's records
- Are not included as contributions for any other federal award
- Are eligible transportation planning-related activities that support the objectives of the identified SCAG Overall Work Program projects
- Are necessary and reasonable for accomplishing the project or program objectives
- Are not charged as indirect costs
- Are allowable under 2 *CFR Part 200 Subpart E – Cost Principles*
- Are not paid by the federal government under another federal award, except where the program's federal authorizing statute specifically provides that federal funds made available for the program can be applied to cost sharing requirements of other federal programs.

Totals of In-kind Match Reported by SBCTA

The overall match was \$2 million for FY 2023-24, which exceeded SCAG's target of \$717,000 by 288%. The overall match was \$2.7 million for FY 2024-25, which exceeded SCAG's target of \$740,000 by 362%. Thus, there is a surplus if SCAG needs additional in-kind match amounts.

Below is a chart summarizing SBCTA totals from its quarterly reports to SCAG. SCAG Internal Audit recalculated SBCTA employees' hourly rates costs and the fringe benefit costs based on approved annual rates.

Fiscal Period	COST Recalculated	FRINGE Recalculated	TOTAL Recalculated	SCAG Target	Target / Total
2023-24 Q1	\$ 268,146	\$ 201,566	\$ 469,712		
2023-24 Q2	\$ 303,323	\$ 228,008	\$ 531,331		
2023-24 Q3	\$ 285,936	\$ 214,938	\$ 500,874		
2023-24 Q4	\$ 323,399	\$ 243,099	\$ 566,497		
FY 2023-24	\$ 1,180,804	\$ 887,610	\$ 2,068,415	\$ 717,000	288%
2024-25 Q1	\$ 308,825	\$ 328,126	\$ 636,951		
2024-25 Q2	\$ 296,119	\$ 314,627	\$ 610,746		
2024-25 Q3	\$ 329,824	\$ 350,438	\$ 680,261		
2024-25 Q4	\$ 365,703	\$ 388,559	\$ 754,262		
FY 2024-25	\$ 1,300,470	\$ 1,381,750	\$ 2,682,220	\$ 740,000	362%
Totals	\$ 2,481,274	\$ 2,269,360	\$ 4,750,635		

SBCTA’s Process to Prepare In-kind Match Reports

Each fiscal year, SCAG sends to SBCTA and other regional transportation agencies an in-kind match request with dollar amounts by project category. SCAG asks the agencies to assist SCAG to secure its local match requirements for SCAG services funded with federal Consolidated Planning Grant funds. SCAG sends a list of SCAG projects and the in-kind match dollar amounts that SCAG requests from the agency to meet the federal match requirements for the fiscal year Overall Work Program. If SCAG’s work programs are compatible with SBCTA’s programs, and the costs are funded by local funds, the programs are eligible as in-kind match. If SBCTA agrees to assist SCAG to meet the in-kind match requirements, then SBCTA gives a commitment for in-kind services and their level of participation.

SBCTA only uses staff time for in-kind match. SBCTA's budgeting process determines what projects their staff work on. This is an annual multi-month process that is approved by the SBCTA Board. The SBCTA budget is developed independently from SCAG's project categories. SCAG identifies their project categories in an annual in-kind match request. SBCTA staff then match SBCTA's budgeted project categories to SCAG's project categories. For programs reported to SCAG, SBCTA uses SCAG's program categories. SCAG tells SBCTA which categories to use for in-kind match.

The source for the SBCTA reported employee hours and pay rates is data from San Bernardino County’s Employee Management and Compensation System (EMACS), the County’s HR/payroll platform. Reports from this system show paid hours reported on staff timecards. Reports from this system were used to verify the quarterly reports that SBCTA sent to SCAG. The hours come from the time sheets that are coded by person, time, and task that staff enter into the payroll system. The SBCTA Finance Department pulls the hours from EMACS for in-kind match reporting. This audit verified that employee pay rates used in SBCTA quarterly reports for the audit period match the rates from their payroll system.

Observation: Annual Fringe Benefit Rate Adjustments

SBCTA has an Indirect Cost Allocation Plan (ICAP) for each fiscal year. The fringe benefits rates for billing to the California Department of Transportation (Caltrans) are approved by its Independent Office of Audits and Investigation (IOAI).

In fiscal year 2023-24, the approved fringe benefit rate for SBCTA was 75.17%. However, the rate SBCTA used for its SCAG in-kind contributions was 112.5%, which was the approved rate for fiscal year 2021-22.

The fringe benefit rate of 112.5% was also used for Q1 and Q2 of fiscal year 2024-25. However, the approved rate was 106.25% for fiscal year 2024-25.

A recalculation using the correct fringe benefit rate for fiscal year 2023-24 indicates that the total for that year was \$2,068,415, and the correct amount for fiscal year 2024-25 was \$2,682,220. These amounts remain well above the total annual amount requested by SCAG for in-kind match (\$717,000 for fiscal year 2023-24, and \$740,000 for fiscal year 2024-25).

Recommendations

1. SBCTA should resubmit the quarterly reports for fiscal year 2023-24 using the correct fringe benefit rate of 75.17%. SBCTA should verify that the total annual dollar amount is sufficient to cover the amount requested by SCAG of \$717,000.
2. SBCTA should resubmit the quarterly reports for Q1 and Q2 fiscal year 2024-25 using the correct fringe benefit rate of 106.25%. SBCTA should verify that the total annual dollar amount is sufficient to cover the amount requested by SCAG of \$740,000.
3. SBCTA should keep in its records the annual approval letter by Caltrans Internal Audits Office (CIAO) of SBCTA's adjusted fringe benefit rate and indirect cost rate.

Management Response

In an email to SCAG, SBCTA management responded to this SCAG Internal Audit report, and management agreed to the audit recommendations:

“We believe the report represents a fair assessment of our in-kind match report procedures. We have already provided SCAG with the FY 2023-24 reports with the updated fringe rate, and we will also provide the Q1 and Q2 reports for FY 2024-25 with the updated fringe rate of 106.25%. As you note, all the reports show matching amounts well in excess of the targeted match for SBCTA in each of the fiscal years, even with the updated fringe rates. We appreciate your communication with us and look forward to continuing our partnership with SCAG on projects in the years to come.”

SBCTA management has provided SCAG with all requested revised in-kind match reports.



AGENDA ITEM 5

REPORT

Southern California Association of Governments
April 15, 2026

To: AC - Audit Committee
From: David James, Internal Audit Manager
213-630-1483, djames@scag.ca.gov
Subject: Internal Audit Report on In-kind Match Contributions of Orange County
Transportation Authority (OCTA)

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:

SCAG Internal Audit found that Orange County Transportation Authority (OCTA) accurately reported its in-kind match contributions to SCAG, based on internal OCTA system reports of project labor costs. However, this audit found that OCTA includes indirect costs in its in-kind match, which is contrary to SCAG's policy and the language used in OCTA 's quarterly in-kind match reports to SCAG. OCTA staff also indicated that the benefits/overhead rates were under-reported because they were using old rates. OCTA staff indicated they will provide SCAG with revised in-kind match reports for the audit period of fiscal year 2023-24 and fiscal year 2024-25.

BACKGROUND:

In-kind match refers to non-cash contributions that can be used to meet the matching or cost-sharing requirements for federal grants. An in-kind match is a type of cost-sharing contribution that includes the value of services, goods, and staff time provided to support a project funded by a federal grant. The value of in-kind contributions must be documented and verifiable. This includes keeping records that show how the value was determined for goods or services. In-kind contributions must be necessary, reasonable, and allowable under the federal program's guidelines.

Caltrans Internal Audits Office (CIAO) performed an incurred cost audit of SCAG and issued a report on August 24, 2024. CIAO sampled local agencies providing in-kind match. The report notes that without sufficient support, the auditors cannot independently determine whether the costs meet the match requirements. SCAG management agreed with the audit recommendations. SCAG staff developed a template for an in-kind match annual contribution letter with language indicating that no federal funds, only local funds, are being used for the in-kind match. SCAG has updated their in-



kind match policy and requested additional supporting documentation from the five county transportation commissions in its region that participate in in-kind match.

SCAG Internal Audit is auditing five county transportation commissions in the SCAG region that provide in-kind match reports to SCAG.

FISCAL IMPACT:

None

ATTACHMENT(S):

1. Internal Audit Report on In-kind Match Contributions of Orange County Transportation Authority (OCTA)



**SCAG Internal Audit Report on
In-kind Match Contributions of
Orange County Transportation Authority (OCTA)**

March 24, 2026

By David James, CPA

SCAG Internal Audit Manager

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Executive Summary

SCAG Internal Audit found that Orange County Transportation Authority (OCTA) accurately reported its in-kind match contributions to SCAG, based on internal OCTA system reports of project labor costs. However, this audit found that OCTA includes indirect costs in its in-kind match, which is contrary to SCAG's policy and the language used in OCTA 's quarterly in-kind match reports to SCAG. OCTA staff also indicated that the benefits/overhead rates were under-reported because they were using old rates. OCTA staff indicated they will provide SCAG with revised in-kind match reports for the audit period of fiscal year 2023-24 and fiscal year 2024-25. See *Observation – Overhead Charge Included in In-kind Match and Recommendations* on page 8 of this report.

Audit Objectives and Scope

The purpose of this audit was to verify that in-kind match contributions of OCTA match allowable costs. The objective of the audit was to determine whether the claimed costs were adequately supported and incurred in accordance with federal law and SCAG policy.

The audit was limited to costs claimed between July 1, 2023 and June 30, 2025.

Audit Methodology

To achieve the audit objectives, Internal Audit performed the following:

- Reviewed applicable federal laws related to in-kind match contributions
- Reviewed SCAG policies, procedures, and records related to in-kind match contributions
- Reviewed the 2024 incurred cost audit by Caltrans Internal Audits Office of SCAG and its finding regarding in-kind contributions
- Performed testwork on SCAG documents related to in-kind match of OCTA that supported their claimed costs
- Performed testwork on OCTA documents related to their in-kind match contributions with SCAG, including payroll documents
- Obtained an understanding of internal controls and evaluated control design and effectiveness regarding in-kind contributions at SCAG and OCTA.

Background for In-kind Match Contributions

In-kind match refers to non-cash contributions that can be used to meet the matching or cost-sharing requirements for federal grants. An in-kind match is a type of cost-sharing contribution that includes the value of services, goods, and staff time provided to support a project funded by a federal grant.

The value of in-kind contributions must be documented and verifiable. This includes keeping records that show how the value was determined for goods or services. In-kind contributions must be necessary, reasonable, and allowable under the federal program's guidelines.

Criteria for In-kind Match Contributions

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.”

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2 CFR 200.306(e) states: “Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.”

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.”

Caltrans Internal Audits Office (CIAO) Audit of SCAG – Issue with In-kind Match

Caltrans Internal Audits Office (CIAO) performed an incurred cost audit of SCAG and issued a report on August 24, 2024. CIAO sampled local agencies providing in-kind match and found that some agencies did not identify the source of funding used when reporting the in-kind match. Two agencies used labor costs for their 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. The report notes that without sufficient support, the auditors cannot independently determine whether the costs meet the match requirements.

SCAG staff agreed with the audit recommendations. SCAG staff developed a template for an in-kind match annual contribution letter with language indicating that no federal funds, only local funds, are being used for the in-kind match. SCAG has updated their in-kind match policy and requested additional supporting documentation from the five county transportation commissions in its region.

SCAG Internal Audit is auditing all county transportation commissions that do in-kind matches with SCAG.

Orange County Transportation Authority

The Orange County Transportation Authority (OCTA) is the county transportation planning commission, responsible for funding and implementing transit and capital projects for the transportation system.

OCTA is responsible for transportation projects, programs, and services for Orange County’s nearly 3.2 million residents in 34 cities. This includes bus and rail transit, rideshare, environmental programs, active transportation, express lanes, and freeways.

Total Amounts Reported for In-kind Match by OCTA

Fiscal Year 2023-2024 Reporting Summary by OCTA				
	OCTA Direct Labor Cost	Direct + Benefits at 30% Rate	Direct + Benefits + Overhead at 50% Rate	OCTA Total Labor Cost
1st Quarter	\$ 1,796,772	\$ 2,335,804	\$ 3,503,706	\$ 3,503,706
2nd Quarter	\$ 2,385,305	\$ 3,100,896	\$ 4,651,344	\$ 4,651,344
3rd Quarter	\$ 2,541,256	\$ 3,303,633	\$ 4,955,449	\$ 4,955,449
4th Quarter	\$ 2,589,934	\$ 3,366,915	\$ 5,050,372	\$ 5,050,372
Annual Total	\$ 9,313,267	\$ 12,107,247	\$ 18,160,871	\$ 18,160,871
Match Target	\$ 3,624,500			
Percent to target	257%	334%		501%

Fiscal Year 2024-2025 Reporting Summary by OCTA				
	OCTA Direct Labor Cost	Direct + Benefits at 30% Rate	Direct + Benefits + Overhead at 50% Rate	OCTA Total Labor Cost
1st Quarter	\$ 1,968,792	\$ 2,559,429	\$ 3,839,144	\$ 3,839,144
2nd Quarter	\$ 2,766,773	\$ 3,596,804	\$ 5,395,207	\$ 5,395,207
3rd Quarter	\$ 2,560,173	\$ 3,328,225	\$ 4,992,337	\$ 4,992,337
4th Quarter	\$ 3,594,352	\$ 4,672,658	\$ 7,008,987	\$ 7,008,987
Annual Total	\$ 10,890,089	\$ 14,157,116	\$ 21,235,674	\$ 21,235,674
Match Target	\$ 3,710,700			
Percent to target	293%	382%		572%

Project	FY 2023-24	FY 2024-25	Totals
010 System Planning	\$408,240	\$337,635	\$745,875
015 Transportation Finance	\$251,528	\$247,833	\$499,361
020 Environmental Planning	\$579,490	\$922,813	\$1,502,303
025 Air Quality Conformity	\$192,116	\$252,180	\$444,296
030 FTIP	\$941,895	\$936,886	\$1,878,781
045 GIS	\$1,095,528	\$1,049,623	\$2,145,151
050 Active Transportation	\$4,313,468	\$4,430,542	\$8,744,010
060 Corridor Planning	\$92,765	\$161,946	\$254,711
065 Sustainability Program	\$350,837	\$325,643	\$676,480
070 Modeling	\$1,783,421	\$2,736,934	\$4,520,355
080 Performance Assessment & Monitoring	\$56,009	\$51,723	\$107,732
090 Public Information & Communications	\$1,421,133	\$1,721,783	\$3,142,916
095 Regional Outreach & Public Participation	\$1,421,133	\$1,721,783	\$3,142,916

115 Clean Technology Program	\$352,231	\$285,913	\$638,144
120 OWP Development & Administration	\$716,540	\$674,418	\$1,390,958
130 Goods Movement	\$336,875	\$375,986	\$712,861
230 Regional Aviation & Airport Ground Access Planning	\$0	\$519,833	\$519,833
265 Express Travel Choices Phase III	\$14,921	\$0	\$14,921
275 Sustainable Communities Program	\$824,993	\$761,047	\$1,586,040
280 Future Communities Initiative	\$248,975	\$245,660	\$494,635
290 Research, Planning and Engagement for Sustainable Communities	\$1,379,387	\$1,737,745	\$3,117,132
310 Planning Strategy Development and Implementation	\$1,379,387	\$1,737,745	\$3,117,132
Totals	\$18,160,871	\$21,235,674	\$39,396,546

In-kind Match Reports to SCAG

Each fiscal year, SCAG sends to OCTA and other regional transportation agencies an in-kind match commitment letter. SCAG requests the agencies’ participation in assisting SCAG to secure its local match requirements for SCAG services funded with federal Consolidated Planning Grant funds. SCAG sends a list of SCAG work programs/project titles and the match dollar amount that SCAG requests from the agency to meet the federal match requirements for the Fiscal Year Overall Work Program. If SCAG’s listed work programs are compatible with OCTA’s projects, and the costs are funded by local funds, the projects are eligible as in-kind match. If OCTA agrees to assist SCAG meet the in-kind match requirements, then OCTA gives a commitment for in-kind services and their agency’s level of participation.

With each quarterly report of in-kind match costs, OCTA certifies that in accordance with 2 CFR 200, OCTA agrees that the in-kind services match:

- Are verifiable in OCTA’s records
- Are not included as contributions for any other federal award
- Are eligible transportation planning-related activities that support the objectives of the identified SCAG Overall Work Program projects
- Are necessary and reasonable for accomplishing the project or program objectives
- Are not charged as indirect costs
- Are allowable under 2 CFR Part 200 Subpart E – Cost Principles
- Are not paid by the federal government under another federal award, except where the program’s federal authorizing statute specifically provides that federal funds made available for the program can be applied to cost sharing requirements of other federal programs.

OCTA has submitted quarterly reports to SCAG throughout the audit period of fiscal years 2023-24 and 2024-25 that have met SCAG’s requested amounts by project and in total.

OCTA Process for Reporting In-kind Match to SCAG

The source for reports of OCTA projects is linked to data from OCTA’s accounting system. For projects reported to SCAG, OCTA uses SCAG's project categories. SCAG tells OCTA which categories to use for in-kind match.

OCTA's budgeting process determines what projects staff work on. This is an annual multi-month process that is approved by the OCTA Board. The OCTA budget is developed independently from SCAG's project categories. SCAG identifies the project categories in an annual in-kind match request. OCTA staff then match OCTA's budgeted project categories to SCAG's project categories.

OCTA sends quarterly reports to SCAG that show in-kind match by SCAG project categories (e.g., *010 System Planning*). This report to SCAG shows dollar totals by project category for each quarter, the cumulative total for the fiscal year, and the target match amount. This report that OCTA sends to SCAG is created from OCTA accounting system totals.

OCTA generates an In-kind Match Report in Excel with tabs for each SCAG project category. Each SCAG project tab has one or more OCTA Projects. This report has quarterly balances of OCTA system Job Keys.

For each SCAG project category, there are subtotals of OCTA Projects. For example, for SCAG's Project 010 System Planning, OCTA has three Projects: General Administration, Congestion Management Program, and Master Plan of Arterial Highways (MPAH) Monitoring.

The source of the labor dollar amounts by project is an accounting system-generated report that generates by month the Org Key, Job Key, and Balance. For example, OCTA Job Key *A0001 General Administration* had a Balance of \$146,001 for the first three months of fiscal year 2024-25. OCTA divided this labor cost into six SCAG projects.

For each OCTA Project, there is a direct labor total cost for the quarter and a grand total that includes benefits and overhead for the quarter. OCTA calculated direct labor plus benefits at 30% rate. OCTA calculated direct labor plus benefits plus overhead at 50% rate. This total amount is reported to SCAG for each SCAG project category.

These direct labor cost quarterly totals came from system report *2024-25 Accounting Codes with Balance*. This report has costs by Month/year, Job Key, and Balance. This audit traced amounts reported for SCAG projects to the system reports from OCTA.

Project Examples from First Quarter, Fiscal Year 2024-25

SCAG Project	OCTA Project	Amount from OCTA's Accounting System, with Benefits and Overhead	Amount Reported to SCAG
060 Corridor Planning	A4321 Regional Transportation Improvement Program	\$34,728	\$34,728
080 Performance Assessment & Monitoring	A4381 Master Plan of Arterial Highways (MPAH) Monitoring	\$12,276	\$12,276

These examples show a one-to-one relationship for SCAG Project to OCTA project, but often one SCAG project has amounts from several OCTA projects. This audit confirmed that the amounts reported to SCAG matched the amounts from OCTA Projects.

Observation – Overhead Charges Included in In-kind Match

OCTA includes an overhead rate of 50% of their labor cost and fringe cost. SCAG policy does not permit overhead to be included in the in-kind match. SCAG has sent language to be used by all the county transportation commissions that do in-kind match which specified that with each quarterly report of in-kind match costs, the county transportation commission certifies that in accordance with *2 CFR 200*, the commission agrees that the in-kind services match are not charged as indirect costs and are allowable under *2 CFR Part 200 Subpart E – Cost Principles*.

2 CFR 200 does permit overhead or indirect costs to be used as in-kind match, but only under specific conditions and with prior approval. Indirect costs can be used as in-kind match, but only if indirect costs are unrecovered and the Indirect Cost Allocation Plan (ICAP) is preapproved by Caltrans.

Recommendations

1. OCTA should not include overhead charges in its in-kind match. OCTA should recalculate the submitted in-kind match calculations to include only direct labor cost and benefits cost.
2. OCTA staff indicated to SCAG Internal Audit that the benefits/overhead rates were under-reported because they were using old rates. The correct budgeted rates for fiscal year 2023-24 are 69.4%, and for fiscal year 2024-25 are 61.0%. These percentages are calculated based on the dollar amounts that are published in OCTA's annual budget. OCTA should use their approved rate for in-kind match calculations, updating the rate used each fiscal year.
3. OCTA should recalculate the in-kind match quarterly totals based on OCTA's approved rates for benefits. (See example below.)

Recalculation of Total Labor Cost with Approved Benefit Rates		
Fiscal Year 2023-2024 Reporting Summary by OCTA		
	Direct Labor Cost	Direct + Benefits at 69.4% Rate
1st Quarter	\$ 1,796,772	\$ 3,043,732
2nd Quarter	\$ 2,385,305	\$ 4,040,706
3rd Quarter	\$ 2,541,256	\$ 4,304,888
4th Quarter	\$ 2,589,934	\$ 4,387,349
Annual Total	\$ 9,313,267	\$ 15,776,674
Match Target	\$ 3,624,500	
Percent to target		435%
Fiscal Year 2024-2025 Reporting Summary by OCTA		
	Direct Labor Cost	Direct + Benefits at 61% Rate
1st Quarter	\$ 1,968,792	\$ 3,169,755
2nd Quarter	\$ 2,766,773	\$ 4,454,504
3rd Quarter	\$ 2,560,173	\$ 4,121,878
4th Quarter	\$ 3,594,352	\$ 5,786,907
Annual Total	\$ 10,890,089	\$ 17,533,044
Match Target	\$ 3,710,700	
Percent to target		472%

Management Response

OCTA management agreed to the audit recommendations and indicated they will apply the recommendations going forward. OCTA indicated they will provide SCAG with revised in-kind match reports for the audit period of fiscal year 2023-24 and fiscal year 2024-25.



AGENDA ITEM 6

REPORT

Southern California Association of Governments
April 15, 2026

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

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:

Internal Audits of In-kind Match Contributions for SCAG

Internal Audit is in the process of auditing in-kind match for SCAG of Los Angeles County Metropolitan Transportation Authority (Metro) and Los Angeles City Department of Transportation (LADOT). The purpose of these audits is to verify that in-kind match contributions of the transportation commissions match allowable costs. The objective of the audits is to determine whether the claimed costs were adequately supported and incurred in accordance with federal law and SCAG policy.

Internal Audit Risk Assessment of SCAG

Internal Audit is conducting an organization-wide risk assessment of SCAG in early 2026. SCAG's Internal Audit performs assessments of SCAG operations, including evaluations of the effectiveness and efficiency of various departments, functions and evaluating governance, risk management, and internal controls. Internal Audit assists staff in efficient and effective discharge of responsibilities by providing independent analyses, appraisals, findings, and recommendations.

To perform this risk assessment, Internal Audit will interview key staff to understand their views of risks at SCAG, identify key processes, and any changes to risks since the previous risk assessment was performed. Internal Audit will also review SCAG processes, policies, procedures, and laws, especially any recent changes that could increase organizational risk. This assessment will be used to identify higher risk areas at SCAG for potential internal audits.

Risks are events, actions, or inactions that could cause key organizational objectives not to be achieved. To mitigate and manage these risks, SCAG's management implements internal controls,

plans for disruptions, develops risk management programs, and engages in risk mitigation. Internal Audit's responsibility is to facilitate management's identification and assessment of risks, and to monitor and report on how well risks are managed.

Title VI Audit Program

As a recipient of federal funds, SCAG is required to comply with Title VI of the Civil Rights Act, which prohibits discrimination based on race, color, or national origin in federally assisted programs. Historically, SCAG has prepared a Title VI Plan in compliance with the Federal Transit Administration (FTA) Title VI Requirements and Guidelines (FTA Circular 4702.1B). As a recipient of Federal Highway Administration (FHWA) funds, SCAG must also comply with FHWA's Title VI Program and Related Statutes (23 CFR Part 200).

On January 24, 2025, the Caltrans Division of Local Assistance notified SCAG that it must complete a Title VI Program Assessment Online Form by March 31, 2025. Upon reviewing the assessment criteria, it became clear that SCAG is not yet in full compliance with FHWA Title VI requirements.

Internal Audit is developing a review process and will conduct periodic audits of SCAG's compliance with Title VI requirements. Internal Audit will document the results and recommend corrective actions as needed.

FISCAL IMPACT:

None