



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2023

Southern California Regional Rail Authority

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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*

To the Board of Directors
Southern California Regional Rail Authority
Los Angeles, California

We have audited, in accordance with 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 (*Government Auditing Standards*), the financial statements of the Southern California Regional Rail Authority (SCRRA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SCRRA's basic financial statements and have issued our report thereon dated December 21, 2023. Our report includes an emphasis of matter paragraph regarding SCRRA's adoption of Governmental Accounting Standards Board (GASB), Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCRRA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCRRA's internal control. Accordingly, we do not express an opinion on the effectiveness of SCRRA '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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCRRRA'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*.

SCRRRA's Response to Findings

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

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.



Rancho Cucamonga, California
December 21, 2023



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

To the Board of Directors
Southern California Regional Rail Authority
Los Angeles, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Southern California Regional Rail Authority’s (SCRRA) 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 SCRRA’s major federal program for the year ended June 30, 2023. SCRRA’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, SCRRA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the 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 SCRRA 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 SCRRA’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 SCRRA’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 SCRRRA'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 SCRRRA'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 SCRRRA'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 SCRRRA'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 SCRRRA'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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 SCRRRA as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SCRRRA's basic financial statements. We issued our report thereon dated December 21, 2023, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter paragraph regarding SCRRRA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Our audit was conducted for the purpose of forming an opinion 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. This 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.



Rancho Cucamonga, California
December 21, 2023

Southern California Regional Rail Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number/ Grant Number	Expenditures
Department of Homeland Security			
Direct Programs:			
Rail and Transit Security Grant Program	97.075	EMW-2022-RA-00046-S01	\$ 43,333
Rail and Transit Security Grant Program	97.075	EMW-2021-RA-00032-S01	36,901
Total Rail and Transit Security Grant Program			<u>80,234</u>
Total Department of Homeland Security			<u>80,234</u>
Department of Transportation			
Federal Transit Cluster			
Direct Programs:			
Federal Transit Capital Investment Grants	20.500	CA050205	\$ 82,208
Federal Transit Capital Investment Grants	20.500	CA050235	928,209
Federal Transit Capital Investment Grants	20.500	CA050258	70,360
Federal Transit Capital Investment Grants	20.500	CA050271	237,651
Subtotal			<u>1,318,428</u>
Passed Through Riverside County Transportation Commission			
Federal Transit Capital Investment Grants	20.500	CA050268	325,346
Federal Transit Capital Investment Grants	20.500	CA050283	488
Subtotal			<u>325,834</u>
Total Federal Transit Capital Investment Grants			<u>1,644,262</u>
Direct Programs:			
Federal Transit Formula Grants	20.507	CA90Y687	112,870
Federal Transit Formula Grants	20.507	CA90Y934	4,225
Federal Transit Formula Grants	20.507	CA90Y992	32,777
Federal Transit Formula Grants	20.507	CA2017009	64
Federal Transit Formula Grants	20.507	CA2019137	2,598,460
Federal Transit Formula Grants	20.507	CA2020004	2,031,933
Federal Transit Formula Grants	20.507	CA2020029	60
COVID-19 Federal Transit Formula Grants	20.507	CA2022192	4,350,630
COVID-19 Federal Transit Formula Grants	20.507	CA2022193	22,983,399
Federal Transit Formula Grants	20.507	CA2022194	2,636,610
Subtotal			<u>34,751,028</u>
Passed Through Riverside County Transportation Commission			
Federal Transit Formula Grants	20.507	CA2017112	370,146
Subtotal			<u>370,146</u>
Total Federal Transit Formula Grants			<u>35,121,174</u>

Southern California Regional Rail Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number/ Grant Number	Expenditures
Direct Programs:			
State of Good Repair Grants Program	20.525	CA540014	\$ 358,965
State of Good Repair Grants Program	20.525	CA540043	226,337
State of Good Repair Grants Program	20.525	CA2017009	9,723,054
State of Good Repair Grants Program	20.525	CA2017085	18,315
State of Good Repair Grants Program	20.525	CA2021017	3,645,226
State of Good Repair Grants Program	20.525	CA2021206	124,731
State of Good Repair Grants Program	20.525	CA2022194	7,507,728
State of Good Repair Grants Program	20.525	CA2022215	1,382,184
Subtotal			<u>22,986,540</u>
Passed Through Riverside County Transportation Commission			
State of Good Repair Grants Program	20.525	CA540033	103,754
State of Good Repair Grants Program	20.525	CA2017121	1,462,839
State of Good Repair Grants Program	20.525	CA2020261	1,622,406
Subtotal			<u>3,188,999</u>
Total State of Good Repair Grants Program			<u>26,175,539</u>
Total Federal Transit Cluster			<u>62,940,975</u>
Direct Programs:			
Railroad Safety	20.301	FR-TSP-0002-21	<u>34,449</u>
Total Railroad Safety			<u>34,449</u>
Direct Programs:			
Railroad Safety Technology Grants	20.321	CA2018033	<u>149,940</u>
Total Railroad Safety Technology Grants			<u>149,940</u>
Direct Programs:			
Consolidated Rail Infrastructure and Safety Improvements Program	20.325	FR-CRS-0032-20	1,913,576
Consolidated Rail Infrastructure and Safety Improvements Program	20.325	FR-CRS-0084-21	109,528
Consolidated Rail Infrastructure and Safety Improvements Program	20.325	FR-CRS-0116-22	465,223
Total Consolidated Rail Infrastructure and Safety Improvements Program			<u>2,488,327</u>
Highway Planning and Construction Cluster			
Passed Through California Department of Transportation Highway Planning and Construction	20.205	07-6187F15-F001-ISTEA	<u>74,989</u>
Total Highway Planning and Construction Cluster			<u>74,989</u>
Total Department of Transportation			<u>65,688,680</u>
Total Federal Financial Assistance			<u>\$ 65,768,914</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Southern California Regional Rail Authority (SCRRA) under programs of the federal government for the year ended June 30, 2023. 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 SCRRA, it is not intended to and does not present the financial position, changes in net position, or cash flows of SCRRA.

Note 2 - Summary of Significant Accounting Policies

The expenditures included in the accompanying schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported included any property or equipment acquisitions incurred under the federal program. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

SCRRA has not elected to use the 10% de minimis cost rate.

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	Yes
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	None Reported
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:	No

Identification of major programs:

Name of Major Federal Program/Cluster	Federal Financial Assistance Listing/ CFDA Number
Federal Transit Cluster	20.500, 20.507, 20.525
Dollar threshold used to distinguish between type A and type B programs:	\$1,973,067
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2023-001 Accounting for Advance Funding for Capital Projects
Significant Deficiency**

Criteria:

Management is responsible for the basic financial statements and all accompanying information as well as all representation contained therein for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). At year end, management is required to complete a timely reconciliation of the advanced funding transactions.

Condition:

We observed that there were certain capital expenditures that were not billed to member agencies timely. The effect of which is an overstatement of accrued receivables and an overstatement of unearned revenues. SCRRA receives advanced funding from member agencies for certain capital projects. When the cash is received, an unearned revenue is recorded and tracked for each individual member agency. When related expenses are incurred, it is the entity's process to bill the member agency, recognize the revenue and reduce the unearned balance. SCRRA had \$2.5 million in accrued receivables that have not been billed to specific member agencies and therefore, have not been recorded as a reduction to unearned revenues. The overall net effect to the balance sheet is an overstatement in accounts receivable and unearned revenue with a net effect of \$0.

Context:

The condition noted above was identified during testing over the accrued receivable and unearned revenue balance.

Cause:

SCRRA did not complete a timely reconciliation of member agency capital advances in order to ensure member agency receivables and related unearned revenue balances are properly stated as of June 30.

Effect:

Due to the noted condition, an audit adjustment was made to reduce accrued receivables and unearned revenues in the amount of \$2.5 million.

Recommendation:

Management should strengthen its procedures over advance funding for capital projects to ensure that member agencies are billed timely and the related receivable and unearned revenue account are appropriately adjusted as of year end.

Views of Responsible Officials:

Management Agrees. See separate corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None Reported.

Southern California Regional Rail Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Summarized below is the status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

Financial Statement Findings:

Finding No.	Finding Description	Status of Corrective Action
2022-001	Reporting of Capital Assets	Implemented

Federal Award Findings:

Finding No.	Finding Description	Status of Corrective Action
2022-002	Procurement and Suspension and Debarment	Implemented
2022-003	Other - SEFA Reporting	Implemented

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Corrective Action Plan

Year ended June 30, 2023

Compiled by: Alex Barber



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Corrective Action Plan

Year ended June 30, 2023

I. Financial Statement Findings

FINDING 2023-001

Accounting for Advance Funding for Capital Projects Significant Deficiency

Management's or Department's Response:

Management agrees.

Views of Responsible Officials and Corrective Action:

Management has already taken a proactive approach to identifying unbilled expenses related to capital surplus. The Accounts Receivable Team has already started the process of reconciling the unbilled activity and reducing the related unearned revenue and receivables related to this activity. The goal to completely reconcile this activity is scheduled to be completed by the end of the fiscal year.

Name of Responsible Person: Vivien Avella

Implementation Date: June 30, 2024

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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Summary Schedule of Prior Audit Findings

Year ended June 30, 2023

Compiled by: Alex Barber



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Summary Schedule of Prior Audit Findings

Year ended June 30, 2023

Summarized below is the status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

Financial Statement Findings:

Finding No.	Finding Description	Status of Corrective Action
2022-001	Reporting of Capital Assets	Implemented

Federal Award Findings:

Finding No.	Finding Description	Status of Corrective Action
2022-002	Procurement and Suspension and Debarment	Implemented
2022-003	Other - SEFA Reporting	Implemented

