



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2020

Southern California Regional Rail Authority

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

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 8

Schedule of Finding and Questioned Costs 9

 Section I - Summary of Auditor’s Results 9

 Section II - Financial Statement Findings10

 Section III – Federal Award Findings and Questioned Costs11

Summary Schedule of Prior Audit Findings.....12



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, the financial statements of the Southern California Regional Rail Authority (SCRRA), as of and for the year ended June 30, 2020, 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, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

SCRRA's Response to Findings

SCRRA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and SCRRA's separate corrective action plan. SCRRA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Bailly LLP".

Rancho Cucamonga, California
December 21, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited Southern California Regional Rail Authority's (SCRRA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SCRRA's major federal programs for the year ended June 30, 2020. SCRRA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for SCRRA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SCRRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of SCRRA's compliance.

Opinion on the Major Federal Program

In our opinion, SCRRRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of SCRRRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SCRRRA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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, we do not express an opinion on the effectiveness of SCRRRA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2020, and the related notes to the financial statements, which collectively comprise SCRRRA's basic financial statements. We issued our report thereon dated December 21, 2020, which contained an unmodified opinion on those financial statements. 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

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

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2020

Southern California Regional Rail Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Expenditures
Department of Transportation			
Federal Transit Cluster			
Direct Programs:			
Federal Transit Capital Investment Grants	20.500	CA050205	\$ 121,470
Federal Transit Capital Investment Grants	20.500	CA050235	96,863
Federal Transit Capital Investment Grants	20.500	CA050258	46,766
Federal Transit Capital Investment Grants	20.500	CA050271	128,609
Subtotal			<u>393,708</u>
Passed Through Riverside County Transportation Commission			
Federal Transit Capital Investment Grants	20.500	CA030812	84,449
Federal Transit Capital Investment Grants	20.500	CA050268	153,864
Federal Transit Capital Investment Grants	20.500	CA050283	250,555
Subtotal			<u>488,868</u>
Total Federal Transit Capital Investment Grants			<u>882,576</u>
Direct Programs:			
Federal Transit Formula Grants	20.507	CA90Y687	21,420
Federal Transit Formula Grants	20.507	CA90Y934	86,844
Federal Transit Formula Grants	20.507	CA90Y992	5,214
Federal Transit Formula Grants	20.507	CA2017009	289,839
Federal Transit Formula Grants	20.507	CA2018136	932,007
Federal Transit Formula Grants	20.507	CA2019137	549,508
Federal Transit Formula Grants	20.507	CA2020004	802
Federal Transit Formula Grants	20.507	CA2020009	9,292,967
Federal Transit Formula Grants	20.507	CA2020170	91,851
Subtotal			<u>11,270,452</u>
Passed Through Riverside County Transportation Commission			
Federal Transit Formula Grants	20.507	CA95X339	2,487,196
Federal Transit Formula Grants	20.507	CA2017112	17,384
Subtotal			<u>2,504,580</u>
Passed Through Orange County Transportation Commission			
Federal Transit Formula Grants	20.507	CA95X180	15,531
Federal Transit Formula Grants	20.507	CA95X286	236,313
Subtotal			<u>251,844</u>
Total Federal Transit Formula Grants			<u>14,026,876</u>

Southern California Regional Rail Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs:			
State of Good Repair Grants Program	20.525	CA540014	\$ 997,782
State of Good Repair Grants Program	20.525	CA540043	442,536
State of Good Repair Grants Program	20.525	CA2017009	13,532,443
State of Good Repair Grants Program	20.525	CA2017085	2,276,710
State of Good Repair Grants Program	20.525	CA2020009	7,750,960
Subtotal			<u>25,000,431</u>
Passed Through Riverside County Transportation Commission			
State of Good Repair Grants Program	20.525	CA540033	2,042,410
State of Good Repair Grants Program	20.525	CA2017121	4,998,609
Subtotal			<u>7,041,019</u>
Total State of Good Repair Grants Program			<u>32,041,450</u>
Total Federal Transit Cluster			<u>46,950,902</u>
Direct Programs:			
Railroad Safety Technology Grants	20.321	FR-TEC-0019-17	1,781,188
Railroad Safety Technology Grants	20.321	CA2018033	400,149
Total Railroad Safety Technology Grants			<u>2,181,337</u>
Direct Programs:			
Consolidated Rail Infrastructure and Safety Improvements Program	20.325	FR-CRS-0032-20	77,170
Total Consolidated Rail Infrastructure and Safety Improvements Program			<u>77,170</u>
Total Department of Transportation			<u>49,209,409</u>
Total Expenditures of Federal Awards			<u>\$ 49,209,409</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, 2020. 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.

Note 3 - Indirect Cost Rate

The Organization 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:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Federal Transit Cluster	20.500, 20.507, 20.525
Dollar threshold used to distinguish between type A and type B programs:	\$1,476,282
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2020-001 Financial Reporting/Year End Closing
Type of Finding: Significant Deficiency**

Criteria or Specific Requirement:

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein and for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). This requires management to work through a year-end closing process to accumulate, reconcile, and summarize information for inclusion in the annual financial statements. The year-end closing process includes the review and/or reconciliation of all balances within SCRRA's general ledger and financial statements.

Condition:

We noted that SCRRA regularly receives deposits in advance of any construction projects it performs for customers and other agencies. These deposits are typically returned to its customers once the projects are completed. During the audit, we noted projects which were completed a few years ago; however, SCRRA was still in the process of performing account reconciliations in order to refund deposits

Cause:

Corrective action on the reconciliation of deposits was still in progress during the fiscal year.

Effect:

SCRRA continues to record liabilities for advances received on construction project until such time that the monies can be properly adjudicated or refunded to the related customer.

Recommendation:

We recommend that SCCRA continue to reconcile the deposits balance.

View of Responsible Official and Corrective Actions:

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, 2020

Financial Statement Findings:

Finding No.	Finding Description	Status of Corrective Action
2019-001	Financial Reporting/Year End Closing	Partially Implemented. See Current Year Finding 2020-001

Federal Award Findings:

Finding No.	Program	CFDA No.	Compliance	Status of Corrective Action
2019-002	Federal Transit Cluster	20.500, 20.507, 20.525	Equipment & Real Property Management	Implemented



METROLINK.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
900 Wilshire Blvd. Suite 1500 Los Angeles, CA 90017

metrolinktrains.com

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Corrective Action Plan

Year ended June 30, 2020

Compiled by: Alex Barber

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Corrective Action Plan

Year ended June 30, 2020

I. FINANCIAL STATEMENT FINDINGS

FINDING 2020-001

Financial Reporting/Year-end Closing

Management's or Department's Response:

Management agrees.

Views of Responsible Officials and Corrective Action:

SCRRA will allocate resources, assign dedicated personnel to handle TPA projects, and prioritize reconciliation of customers' advanced deposits. By June 2021, old TPA projects (projects that have been completed for more than one year) will be reconciled and closed out in the financial system, and all unspent funds refunded to customers.

Name of Responsible Person: Thelma Bloes

Implementation Date: June 30, 2021