

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

**Southern California
Association of Governments**

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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.



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March 25, 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