



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2021

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, the financial statements of the Southern California Regional Rail Authority (SCRRA), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the SCRRA’s basic financial statements and have issued our report thereon dated December 21, 2021.

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. However, material weaknesses may exist that have not been identified.

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*.

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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 21, 2021



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

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 SCRRA’s major federal program for the year ended June 30, 2021. SCRRA’s major federal program is 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, SCRRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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 the 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 and therefore, material weaknesses and significant deficiencies may exist that have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

SCRRRA's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. SCRRRA's response was not subjected to the 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 SCRRA as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise SCRRA's basic financial statements. We issued our report thereon dated December 21, 2021, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 21, 2021

Southern California Regional Rail Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Total Expenditures
Department of Transportation			
Federal Transit Cluster			
Direct Programs:			
Federal Transit Capital Investment Grants	20.500	CA050205	\$ 105,672
Federal Transit Capital Investment Grants	20.500	CA050235	413,911
Federal Transit Capital Investment Grants	20.500	CA050258	95,415
Federal Transit Capital Investment Grants	20.500	CA050271	(467)
Subtotal			<u>614,531</u>
Passed Through Riverside County Transportation Commissio			
Federal Transit Capital Investment Grants	20.500	CA050268	119,477
Federal Transit Capital Investment Grants	20.500	CA050283	20,415
Subtotal			<u>139,892</u>
Total Federal Transit Capital Investment Grants			<u>754,423</u>
Direct Programs:			
Federal Transit Formula Grants	20.507	CA90Y687	142,999
Federal Transit Formula Grants	20.507	CA90Y934	153,456
Federal Transit Formula Grants	20.507	CA90Y992	10,541
Federal Transit Formula Grants	20.507	CA2017009	104,158
Federal Transit Formula Grants	20.507	CA2018136	231,842
Federal Transit Formula Grants	20.507	CA2019137	986,262
Federal Transit Formula Grants	20.507	CA2020004	424,750
Federal Transit Formula Grants	20.507	CA2020029	170
COVID-19- Cares Act Federal Transit Formula Grants	20.507	CA2020170	148,708,689
Federal Transit Formula Grants	20.507	CA2021017	9,482,528
Subtotal			<u>160,245,395</u>
Passed Through Riverside County Transportation Commissio			
Federal Transit Formula Grants	20.507	CA95X339	3,730,573
Federal Transit Formula Grants	20.507	CA2017112	56,895
Subtotal			<u>3,787,468</u>
Passed Through Orange County Transportation Commission			
Federal Transit Formula Grants	20.507	CA95X286	59,390
Subtotal			<u>59,390</u>
Total Federal Transit Formula Grants			<u>164,092,253</u>

Southern California Regional Rail Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Total Expenditures
Direct Programs:			
State of Good Repair Grants Program	20.525	CA540014	\$ 975,844
State of Good Repair Grants Program	20.525	CA540043	79,690
State of Good Repair Grants Program	20.525	CA2017009	10,098,097
State of Good Repair Grants Program	20.525	CA2017085	978,990
State of Good Repair Grants Program	20.525	CA2020009	762,181
State of Good Repair Grants Program	20.525	CA2021017	5,640,050
State of Good Repair Grants Program	20.525	CA2021027	2,190
Subtotal			<u>18,537,042</u>
Passed Through Riverside County Transportation Commissio			
State of Good Repair Grants Program	20.525	CA540033	592,255
State of Good Repair Grants Program	20.525	CA2017121	5,511,179
State of Good Repair Grants Program	20.525	CA2020261	145
Subtotal			<u>6,103,579</u>
Total tate of Good Repair Grants Program			<u>24,640,621</u>
Total Federal Transit Cluster			<u>189,487,297</u>
Direct Programs:			
Railroad Safety	20.301	FR-RTE-009-20	<u>49,573</u>
Total Railroad Safety			<u>49,573</u>
Direct Programs:			
Railroad Safety Technology Grants	20.321	CA2018033	<u>230,268</u>
Total Railroad Safety Technology Grants			<u>230,268</u>
Direct Programs:			
Consolidated Rail Infrastructure and Safety Improvemen	20.325	FR-CRS-0032-20	<u>901,252</u>
Total Consolidated Rail Infrastructure and Safety Improvements Program			<u>901,252</u>
Total Department of Transportation			<u>190,668,390</u>
Total Federal Financial Assistance			<u>\$ 190,668,390</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, 2021. 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

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	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:	No

Identification of major programs:

<u>Name of Major Federal Program/Cluster</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
Federal Transit Cluster	20.500, 20.507, 20.525
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None Reported.

Section III – Federal Award Findings and Questioned Costs

2021-001 **Program Name:** Federal Transit Cluster
CFDA No.: 20.500/20.507/20.525
Federal Grantor: U.S. Department of Transportation
Award No. and Year: Various

Compliance Requirement: Procurement and Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control

Criteria:

2 CFR Section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 2 CFR Section 200.214 of the Uniform Guidance states that SCRRRA must comply with 2 CFR part 180, which implements Executive Orders 12549 and 12689. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. The 2021 Compliance Supplement states:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a passthrough entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215. When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition:

During our testing of SCRRA's provisions for procurement requirements, we noted two (2) contracts of the sample of forty (40) selected for testing where there was no evidence that SCRRA verified the vendor was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract, in accordance with SCRRA's policy.

Cause:

SCRRA did not adhere to established policies and procedures to verify the information described in the condition prior to entering the transactions.

Effect:

SCRRA's control was not consistently applied, which required verification of suspension or debarment prior to entering the contract. However, the verification of suspension and debarment was subsequently performed and documented by SCRRA.

Questioned Costs:

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

Context/Sampling:

A nonstatistical sample of 40 out of 200 procurement contracts were selected for procurement and suspension and debarment testing.

Repeat Finding from Prior Year(s):

No

Recommendation:

We recommend SCRRA adhere to their procurement procedures requiring the suspension or debarment verification is performed prior to entering into a covered transaction.

Views of Responsible Officials:

Management Agrees. See separate corrective action plan.

Southern California Regional Rail Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Financial Statement Findings:

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



METROLINK.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
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metrolinktrains.com

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Corrective Action Plan

Year ended June 30, 2021

Compiled by: Alex Barber

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Corrective Action Plan

Year ended June 30, 2021

I. Federal Award Findings and Questioned Costs

FINDING 2021-001

Procurement and Suspension and Debarment

Management's or Department's Response:

Management agrees.

Views of Responsible Officials and Corrective Action:

SCRRA will implement the use of the checklist for all the required documents associated with a procurement. The checklist will include all required documents to complete a procurement including the verification of suspension and debarment documentation.

Name of Responsible Person: Cynthia Minix

Implementation Date: June 30, 2022