



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

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MEETING OF THE

AUDIT COMMITTEE

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

***Monday, July 10, 2023
3:00 p.m. – 4:00 p.m.***

To Attend In-Person:

**SCAG Main Office – Policy A Meeting Room
900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017**

To Attend and Participate on Your Computer:

<https://scag.zoom.us/j/316673359>

To Attend and Participate by Phone:

**Call-in Number: 1-669-900-6833
Meeting ID: 316 673 359**

PUBLIC ADVISORY

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Maggie Aguilar at (213) 630-1420 or via email at aguilarm@scag.ca.gov. Agendas & Minutes are also available at: www.scag.ca.gov/committees.

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. SCAG is also committed to helping people with limited proficiency in the English language access the agency's essential public information and services. You can request such assistance by calling (213) 630-1420. We request at least 72 hours (three days) notice to provide reasonable accommodations and will make every effort to arrange for assistance as soon as possible.



Instructions for Attending the Meeting

To Attend In-Peron and Provide Verbal Comments: Go to the SCAG Main Office located at 900 Wilshire Blvd., Ste. 1700, Los Angeles, CA 90017 or any of the remote locations noticed in the agenda. The meeting will take place in the Policy A Meeting Room on the 17th floor starting at 3:00 p.m.

To Attend by Computer: Click the following link: <https://scag.zoom.us/j/316673359>. If Zoom is not already installed on your computer, click “Download & Run Zoom” on the launch page and press “Run” when prompted by your browser. If Zoom has previously been installed on your computer, please allow a few moments for the application to launch automatically. Select “Join Audio via Computer.” The virtual conference room will open. If you receive a message reading, “Please wait for the host to start this meeting,” simply remain in the room until the meeting begins.

To Attend by Phone: Call **(669) 900-6833** to access the conference room. Given high call volumes recently experienced by Zoom, please continue dialing until you connect successfully. Enter the **Meeting ID: 316 673 359**, followed by #. Indicate that you are a participant by pressing # to continue. You will hear audio of the meeting in progress. Remain on the line if the meeting has not yet started.

Instructions for Participating and Public Comments

Members of the public can participate in the meeting via written or verbal comments.

- 1. In Writing:** Written comments can be emailed to: ePublicComment@scag.ca.gov. Written comments received **by 5pm on Friday, July 7, 2023**, will be transmitted to members of the legislative body and posted on SCAG’s website prior to the meeting. You are **not** required to submit public comments in writing or in advance of the meeting; this option is offered as a convenience should you desire not to provide comments in real time as described below. Written comments received after 5pm on Friday, July 7, 2023, will be announced and included as part of the official record of the meeting. Any writings or documents provided to a majority of this committee regarding any item on this agenda (other than writings legally exempt from public disclosure) are available at the Office of the Clerk, at 900 Wilshire Blvd., Suite 1700, Los Angeles, CA 90017 or by phone at (213) 630-1420, or email to aguilarm@scag.ca.gov.

OUR MISSION

To foster innovative regional solutions that improve the lives of Southern Californians through inclusive collaboration, visionary planning, regional advocacy, information sharing, and promoting best practices.

OUR VISION

Southern California’s Catalyst for a Brighter Future

OUR CORE VALUES

Be Open | Lead by Example | Make an Impact | Be Courageous



2. **Remotely:** If participating in real time via Zoom or phone, please wait for the presiding officer to call the item for which you wish to speak and use the “raise hand” function on your computer or *9 by phone and wait for SCAG staff to announce your name/phone number.
3. **In-Person:** If participating in-person, you are invited but not required, to fill out and present a Public Comment Card to the Clerk of the Board or other SCAG staff prior to speaking. It is helpful to indicate whether you wish to speak during the Public Comment Period (Matters Not on the Agenda) and/or on an item listed on the agenda.

General Information for Public Comments

Verbal comments can be presented in real time during the meeting. Members of the public are allowed a total of 3 minutes for verbal comments. The presiding officer retains discretion to adjust time limits as necessary to ensure efficient and orderly conduct of the meeting, including equally reducing the time of all comments.

For purpose of providing public comment for items listed on the Consent Calendar, please indicate that you wish to speak when the Consent Calendar is called. Items listed on the Consent Calendar will be acted on with one motion and there will be no separate discussion of these items unless a member of the legislative body so requests, in which event, the item will be considered separately.

In accordance with SCAG’s Regional Council Policy, Article VI, Section H and California Government Code Section 54957.9, if a SCAG meeting is “willfully interrupted” and the “orderly conduct of the meeting” becomes unfeasible, the presiding officer or the Chair of the legislative body may order the removal of the individuals who are disrupting the meeting.

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AUDIT COMMITTEE MEETING AGENDA

TELECONFERENCE AVAILABLE AT THESE ADDITIONAL LOCATIONS

<p>Cindy Allen Long Beach Civic Center 411 W Ocean Blvd Long Beach, CA 90802</p>	<p>Curt Hagman Chino Hills District Office 14010 City Center Drive Chino Hills, CA 91709</p>
<p>Steve Manos City of Lake Elsinore – City Hall 130 S Main Street Conference Room B Lake Elsinore, CA 92532</p>	<p>Marty Simonoff City of Brea – City Hall 1 Civic Center Circle Brea, CA 92821</p>
<p>Edward Wilson 22119 Clark LN Gulfport, MS 39503</p>	



AC - Audit Committee Members – July 2023

- 1. Hon. Cindy Allen**
Long Beach, RC District 30, Chair
- 2. Sup. Curt Hagman**
San Bernardino County
- 3. Hon. Steve Manos**
Lake Elsinore, RC District 63
- 4. Hon. Ali Saleh**
Bell, RC District 27
- 5. Hon. Marty Simonoff**
Brea, RC District 22
- 6. Hon. Alan Wapner**
SBCTA Representative
- 7. Hon. Edward Wilson**
Signal Hill, GCCOG

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AUDIT COMMITTEE AGENDA

Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700 – Policy A Meeting Room
Los Angeles, CA 90017
Monday, July 10, 2023
3:00 PM

The Audit Committee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as Information or Action Items.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

(The Honorable Cindy Allen, Chair)

PUBLIC COMMENT PERIOD (Matters Not on the Agenda)

This is the time for public comments on any matter of interest within SCAG’s jurisdiction that is **not** listed on the agenda. For items listed on the agenda, public comments will be received when that item is considered. Although the committee may briefly respond to statements or questions, under state law, matters presented under this item cannot be discussed or acted upon at this time.

REVIEW AND PRIORITIZE AGENDA ITEMS

CONSENT CALENDAR

Approval Item

1. Minutes of the Meeting – February 22, 2023

PPG. 6

INFORMATION ITEMS

2. Eide Bailly Presentation on Annual Financial Report and Single Audit for FY 2023
(David James, Internal Auditor)

25 Mins.

PPG. 12

3. Audit Committee Charter and Responsibilities
(David James, Internal Auditor)

25 Mins.

PPG. 18

4. Internal Audit Status Report
(David James, Internal Auditor)

20 Mins.

PPG. 24

FUTURE AGENDA ITEMS

ANNOUNCEMENTS

ADJOURNMENT



Southern California Association of Governments
July 10, 2023

AUDIT COMMITTEE (AC)
MINUTES OF THE MEETING
WEDNESDAY, FEBRUARY 22, 2023

THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE AUDIT COMMITTEE (AC). A VIDEO AND AUDIO RECORDING OF THE FULL MEETING IS AVAILABLE AT: <http://scag.igm2.com/Citizens/>.

The Audit Committee (AC) of the Southern California Association of Governments (SCAG) held its regular meeting virtually (telephonically and electronically), given the declared state of emergency (pursuant to State of Emergency Proclamation dated March 4, 2020) and local public health directives imposing and recommending social distancing measures due to the threat of COVID-19, and pursuant to Government Code Section 54953(e)(1)(A). A quorum was present.

Members Present:

Hon. Curt Hagman, Chair, 2nd Vice President

Hon. Steve Manos

Hon. Ali Saleh

Hon. Marty Simonoff, Vice Chair

Hon. Alan D. Wapner

Hon. Edward Wilson

Lake Elsinore

Bell

Brea

Signal Hill

San Bernardino County

District 63

District 27

District 22

SBCTA

GCCOG

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Honorable Curt Hagman, San Bernardino County, called the meeting to order at 10:34 a.m. He asked the Committee to join him in the Pledge of Allegiance. The Clerk confirmed a quorum was present.

PUBLIC COMMENT PERIOD

Chair Hagman provided detailed instructions and general information on how to provide public comments. Additionally, he noted that public comments received via email to ePublicComment@scag.ca.gov after 5 p.m. on Tuesday, February 21, 2023, would be announced and included as part of the official record of the meeting.

Chair Hagman opened the public comment period and noted this was the time for members of the public to offer comment for matters that are within SCAG’s jurisdiction but are not listed on the agenda.



The Clerk acknowledged there were no written public comments received via email before or after the 5 p.m. deadline on Tuesday, February 21, 2023. SCAG staff also noted that there were no public comments for matters not listed on the agenda.

Chair Hagman closed the public comment period for matters not listed on the agenda.

REVIEW AND PRIORITIZE AGENDA ITEM

There were no reprioritizations made.

CONSENT CALENDAR

Approval Item

1. Minutes of the Meeting – October 12, 2022

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

FOR: Hagman, Manos, Saleh, Simonoff, Wapner, and Wilson (6).

NOES: None (0).

ABSTAIN: None (0).

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

INFORMATION ITEMS

2. Eide Bailly Audit of Annual Comprehensive Financial Report

David James, Internal Auditor, introduced Roger Alfaro, Partner at Eide Bailly LLP, and asked him to present the results of SCAG’s Fiscal Year 2021-22 financial audit.

Mr. Alfaro’s presentation included an overview of the audit process; a discussion of the Annual Comprehensive Financial Report (ACFR); a report on internal control over financial reporting and on compliance in accordance with Government Auditing Standards; and a report on compliance requirements over major federal programs, schedule of expenditures of federal awards and internal controls in accordance with 2 CFR 200 (Single Audit).

Mr. Alfaro concluded his presentation noting there were no material weaknesses of internal control over financial reporting, compliance, and other matters. He reported there was an Unmodified Opinion for SCAG's Fiscal Year 2021-22 financial statements and Annual Comprehensive Financial Report (ACFR), Single Audit, and Compliance. Mr. Alfaro discussed the Auditor's Communication section and reported on management's response to financial reporting matters.

There were no additional discussions or comments made on this item.

There were no public comments received for this item.

The comprehensive staff report, PowerPoint presentation, Governance Letter, 2022 Annual Comprehensive Financial Report (ACFR), and Single Audit report were in the agenda packet.

3. Internal Audit Report on Stipends

David James, Internal Auditor, said that Internal Audit completed an audit report on stipends that covered the audit period of fiscal year 2022. He presented an overview and background information on stipends.

Internal Audit found that SCAG is following its policies and procedures on stipend payments. However, the audit found areas where internal controls and processes could be improved. Mr. James gave highlights from the Observations and Recommendations section of the report.

Staff responded to the comments and questions by the Councilmembers, including a recommendation that staff add an item for approval of stipends not in compliance to the consent calendar for Regional Council (RC).

Cindy Giraldo, CFO, reported that Internal Audit's recommendations and objectives for streamlining the stipend workflow processes are in progress. She noted that the April 6, 2023 board report to the Executive Administration Committee (EAC) and Regional Council would provide additional details and updated information on the stipend process.

The Committee stated support and thanked staff for a comprehensive and thorough presentation.

There were no public comments received for this item.

The comprehensive staff report, the Internal Audit Report on Stipends, and the Management Response were in the agenda packet.

4. Internal Audit Report on Payroll

David James, Internal Auditor, presented the Internal Audit report on SCAG's payroll process. He reported that the audit covered payroll for fiscal year 2022. The audit found that payroll practices comply with SCAG's policies and procedures. Mr. James noted areas where internal controls and processes could be improved, as described in the Observations and Recommendations section of the report.

There were no additional discussions or comments made on this item.

There were no public comments received for this item.

The comprehensive staff report, the Internal Audit Report on Payroll, and the Management Response were in the agenda packet.

5. Internal Audit Status Report

David James, Internal Auditor, presented the Internal Audit Status Report, which lists work performed since the last Audit Committee meeting. Mr. James provided a brief update of the projects currently in progress. Highlights of the report included:

- An update on the internal audit for REAP 1
- A new three-year contract term with CPA firm Eide Bailly beginning Fiscal Year 2024
- An update on SCAG's ethics hotline which had no reports since the last Audit Committee meeting.

There were no public comments received for this item.

The comprehensive staff report was in the agenda packet.

ANNOUNCEMENTS

There were no announcements made.

FUTURE AGENDA ITEMS

A report that outlines consideration for increasing SCAG's current stipend amount.

ADJOURNMENT

There being no further business, Chair Hagman adjourned the Audit Committee meeting at 11:38 a.m.



Respectfully submitted by:
Carmen Summers
Audit Committee Clerk

[MINUTES ARE UNOFFICIAL UNTIL APPROVED BY THE AUDIT COMMITTEE]
//

AUDIT COMMITTEE ATTENDANCE REPORT

2022-23

MEMBERS	Representing	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APRIL	MAY	Total Mtgs Attended To Date
Hagman, Curt	San Bernardino County				1				1				2
Manos, Steve	Lake Elsinore, RC District 63	1			1				1				3
Saleh, Ali	Bell, RC District 27				1				1				2
Simonoff, Marty	Brea, RC District 22	1			1				1				3
Wapner, Alan	SBCTA Representative	1			1				1				3
Wilson, Edward	Signal Hill, GCCOG								1				1



AGENDA ITEM 2
REPORT

Southern California Association of Governments
July 10, 2023

To: Audit Committee (AC)

**EXECUTIVE DIRECTOR'S
APPROVAL**

From: David James, Internal Auditor
(213) 630-1483, djames@scag.ca.gov

Kome Ajise

Subject: Eide Bailly Presentation on Annual Financial Report and Single Audit for
FY 2023

RECOMMENDED ACTION:

For Information Only – No Action Required

STRATEGIC PLAN:

This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

BACKGROUND:

Kinnaly Soukhaseum, partner at Eide Bailly, will review the Auditor's Required Communication With Those Charged With Governance as required in performance of the audit and single audit of SCAG's fiscal year ended June 30, 2023 financial statements. She will cover audit engagement timing, the auditor's responsibilities, and details of performing their audit.

FISCAL IMPACT:

None.

ATTACHMENT(S):

1. PowerPoint Presentation - SCAG Audit Planning Communications - 07.10.23



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

For the Fiscal Year Ended June 30, 2023
July 10, 2023

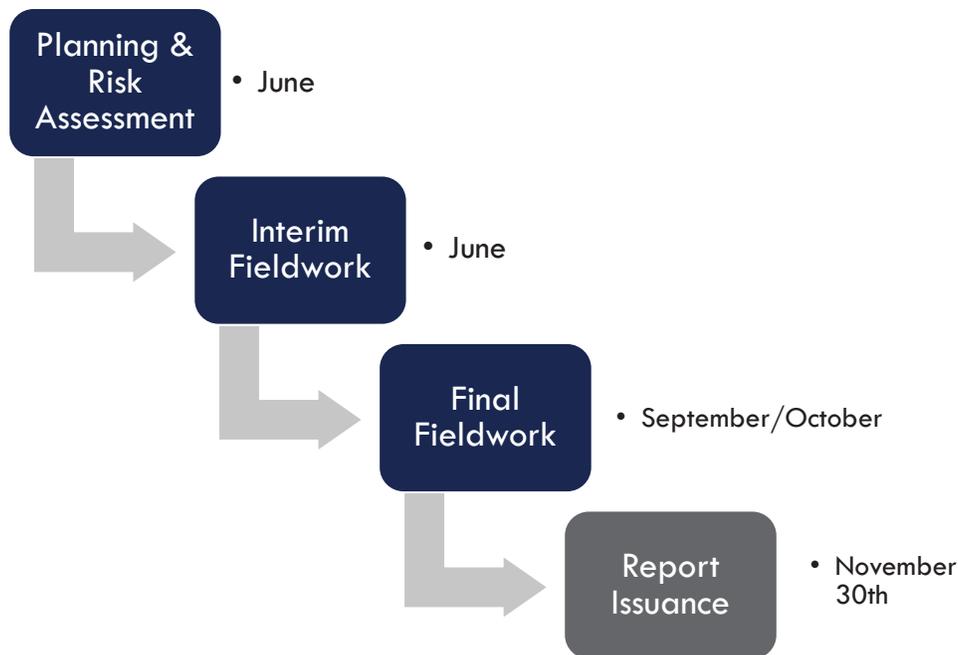
AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Scope of Work

- Annual Financial Report for the fiscal year ended June 30, 2023
- Single Audit for the fiscal year ended June 30, 2023

AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Engagement Timing



AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Our Responsibility

- U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*
- Express an opinion about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in conformity with generally accepted accounting principles:
 - Reasonable, not absolute assurance
 - Audit does not relieve the management of its responsibilities
- For the Single Audit, express an opinion on compliance applicable to major federal programs

AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Our Responsibility (continued)

- Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures:
 - Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.
 - Identify areas potentially more susceptible to misstatement, thereby requiring special audit considerations. These are designated by as “significant risks”. The following was identified as an area of significant risk:
 - Revenue recognition
 - Management override of internal controls
 - GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*

AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Our Responsibility (continued)

- No opinion on internal control will be expressed.
- Communicate other matters:
 - Qualitative aspects of accounting policies, accounting estimates and note disclosures
 - Difficulties encountered
 - Uncorrected misstatements
 - Material corrected misstatements
 - Disagreements with management
 - Management representations
 - Consultations with other accountants

AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Planning, Risk Assessment and Interim:

- Meet with Management
- Obtain an understanding of the entity, its environment and risks
- Identify audit risk areas
- Inspect financial and other information
- Consider/inquire regarding fraud risks
- Understand the design and implementation of internal control
- Prepare risk assessment and audit plan
- Test key business cycles –
 - Revenue, Disbursements, Payroll, Investments, Capital assets, Financial Reporting, Information Technology, Budget

AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Final Fieldwork:

- Address key audit areas
- Perform tests, on a sample basis, on account balances and classes of transactions
- Prepare draft financial statements
- Test journal entries
- Assess accounting principles used and significant estimates
- Confirm contingencies with legal counsel
- Consider subsequent events

Exit:

- Propose / discuss audit adjustments
- Present findings and recommendations
- Provide required communications to those charged with governance

QUESTIONS?

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

THANK YOU

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Partner

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909.466.4410

Shelley Goodrich
Senior Manager

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909.755.2686



CPAs & BUSINESS ADVISORS



AGENDA ITEM 3
REPORT

Southern California Association of Governments
July 10, 2023

To: Audit Committee (AC)
From: David James, Internal Auditor
(213) 630-1483, djames@scag.ca.gov

**EXECUTIVE DIRECTOR'S
APPROVAL**

Kome Ajise

Subject: Audit Committee Charter and Responsibilities

RECOMMENDED ACTION:

For Information Only – No Action Required

STRATEGIC PLAN:

This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

EXECUTIVE SUMMARY:

- *Duties of Audit Committee*
- *Audit Committee Charter*
- *Internal Audit Responsibilities*

BACKGROUND:

SCAG's Audit Committee Charter describes the duties of committee members. Below are key provisions of the Charter.

The purpose of the Audit Committee is to be responsible for the independent review and oversight of SCAG's financial reporting processes, internal controls, and independent auditors. The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the work of independent auditors engaged for the purpose of preparing or issuing independent audit reports or performing other independent audit, review, or attest services for SCAG.

The Audit Committee performs the following responsibilities:

- Financial Statements
 - Reviews with management and external auditors the results of the annual external audit.
 - Reviews the annual financial statements, and considers whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
-

-
- Reviews with management and the external auditors all matters required to be communicated to the Committee under generally accepted government auditing standards.
 - Reviews significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understands their impact on the financial statements.
 - External Audit
 - Reviews the external auditors' proposed audit scope and approach, including coordination or audit effort with Internal Audit.
 - Reviews the performance of the external auditors and makes recommendations to the Regional Council on the appointment or discharge of the auditors.
 - Reviews and confirms the independence of the external auditors by obtaining statements from the auditors about any relationships between the auditors and SCAG, including non-audit services, and discussing the relationships with the auditors.
 - On a regular basis, meets separately with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately.
 - Internal Audit
 - Reviews with management and the internal auditor the charter, plans, activities, staffing, and organizational structure of the internal audit function.
 - Reviews and approves the internal auditor annual workplan, including the nature and scope of the audits scheduled for the fiscal year.
 - Provides management with an opportunity to comment on internal audit reports and follow-up on any corrective actions required.
 - Ensures there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the internal auditor.
 - On an as needed basis, meets separately with the internal auditor to discuss any matters that the Committee or Internal Audit believes should be discussed privately.
 - Internal Controls
 - Establishes the overall policy for SCAG's internal control systems and ensures that the Regional Council and SCAG management are in full support of the system of internal controls.
 - Understands the scope of internal and external auditors' review of internal controls over financial reporting, and obtains reports on significant findings and recommendations, together with management's responses.
 - Evaluates the effectiveness of SCAG's internal control systems, including information technology security and control.
 - Compliance
 - Reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up on instances of noncompliance.
-

-
- Reviews the findings of any examinations by regulatory agencies, and any auditor observations.
 - Reviews the findings of any examinations by the Internal Auditor and determines if any corrective actions by SCAG management are necessary.
 - Obtains regular updates from management and the Chief Counsel regarding compliance matters, including any violations of SCAG's Ethics Policy.
 - Reporting Responsibilities
 - Reports to the Regional Council on an as needed basis, no less than annually, about how the Audit Committee has discharged its duties and met its responsibilities.
 - Provides an open avenue of communication among Internal Audit, the external auditors, and the Regional Council.
 - Reviews any other reports that SCAG issues that relate to Audit Committee responsibilities.
 - Other Responsibilities
 - Performs other activities related to its charter as requested by the Regional Council and oversees special investigations as needed.
 - Reviews and assesses the adequacy of the Audit Committee Charter annually, requesting Regional Council approval for proposed changes, and ensures appropriate disclosure as may be required by law or regulation.

FISCAL IMPACT:

None.

ATTACHMENT(S):

1. Audit Committee Charter 01-05-2012

AUDIT COMMITTEE CHARTER

Purpose of the Committee

To be responsible for the independent review and oversight of the Southern California Association of Governments' (SCAG) financial reporting processes, internal controls, and independent auditors. The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing independent audit reports or performing other independent audit, review or attest services for SCAG.

Authority

The Audit Committee is formally established by the Regional Council of SCAG.

Composition

The Audit Committee will consist of at least five members of the Regional Council, including SCAG's Second Vice President who shall serve as the Chair of the Committee. The Vice-Chair shall be selected from amongst the remaining members of the Committee. The SCAG President shall have the discretion to appoint non-Regional Council members who serve on one of SCAG's Policy Committees to the Audit Committee.

Qualifications

At least one member of the Audit Committee should be a financial expert. Such a financial expert should possess 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of Audit Committee functions.

To ensure the Audit Committee's independence and effectiveness, no Regional Council member who exercises direct managerial control of functions that fall within the scope of the audits performed should serve as a member of the Audit Committee.

Meetings

The Audit Committee will meet on a regular basis, no less than three times per fiscal year, with authority to convene additional meetings as circumstances require. A quorum of the Audit Committee shall consist of three (3) of its members. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Responsibilities

The Committee will carry out the following responsibilities:

Financial Statements

- Review with management and external auditors the results of the annual external audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted government auditing standards.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

Internal Controls

- Establish the overall policy for SCAG's internal control systems and ensure that the Regional Council and SCAG management are in full support of the system of internal controls.
- Understand the scope of internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Evaluate the effectiveness of SCAG's internal control systems, including information technology security and control.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination or audit effort with internal audit.
- Review the performance of the external auditors, and make recommendations to the Regional Council on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors about any relationships between the auditors and SCAG, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately.

Internal Audit

- Review with management and the internal auditor the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Review and approve the internal auditor annual workplan, including the nature and scope of the audits scheduled for the fiscal year.
- Receive and review draft internal audit reports of SCAG operations, including findings and recommendations, directly from the internal auditor at the same time they are provided to SCAG management. Receive oral reports of draft subregional audits directly from the internal auditor at the time the draft reports are provided to the subregion management. Receive and review final audit reports of subregions. Provide management an opportunity to comment on the report and follow-up on any corrective actions required.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the internal auditor.
- On an as needed basis, meet separately with the internal auditor to discuss any matters that the Committee or internal audit believes should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) or any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the findings of any examinations by the internal auditor and determine if any corrective actions by SCAG management are necessary.
- Obtain regular updates from management and the Chief Counsel regarding compliance matters, including any violations of SCAG's Ethics Policy.

Reporting Responsibilities

- Report to the Regional Council on an as needed basis, no less than annually, about how the Audit Committee has discharged its duties and met its responsibilities.
- Provide an open avenue of communication among internal audit, the external auditors, and the Regional Council.
- Review any other reports that SCAG issues that relate to Audit Committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Regional Council and oversee special investigations as needed.
- Review and assess the adequacy of the Committee charter annually, requesting Regional Council approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.



AGENDA ITEM 4
REPORT

Southern California Association of Governments
July 10, 2023

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

**EXECUTIVE DIRECTOR'S
APPROVAL**

RECOMMENDED ACTION:

For Information Only – No Action Required

STRATEGIC PLAN:

This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

EXECUTIVE SUMMARY:

- *An internal audit draft report of REAP 1 at SCAG has been completed.*
- *An internal audit of transit reimbursement at SCAG is in progress.*
- *The SCAG ethics hotline had no reports since the last Audit Committee meeting.*

BACKGROUND:

SCAG’s Internal Auditor performs assessments of SCAG operations, including evaluations of the effectiveness and efficiency of various departments, functions and evaluating governance, risk management, and internal controls. Internal Audit assists staff in efficient and effective discharge of responsibilities by providing independent analyses, appraisals, findings, and recommendations.

A. Internal Audit of REAP 1

SCAG Internal Audit has completed a draft report of its audit of SCAG’s Regional Early Action Planning (REAP 1) grant program. SCAG management is preparing a response to the report.

The primary objectives of this audit were to determine whether:

- SCAG’s payments for REAP 1 projects comply with SCAG’s policies and procedures
- SCAG is following requirements for REAP 1 by the California Department of Housing and Community Development (HCD) and the Local Government Planning Support Grants Program pursuant to Chapter 3.1 of Health and Safety Code (Sections 50515 to 50515.05)

- Invoices submitted by consultants and council of governments for REAP 1 are supported
- Invoices for REAP 1 are properly reviewed and approved.

The audit scope covers REAP 1 activity from the program inception in fiscal year 2021 to the present. This audit focuses on financial transactions and requirements for REAP 1.

B. Internal Audit of Transit Reimbursement at SCAG

Internal Audit is performing fieldwork on an audit of transit reimbursements at SCAG.

The objectives of this audit are to determine:

- The transit reimbursement process is following SCAG policies and procedures
- How staff reimbursements for expenses are processed
- That reimbursement requests are properly documented and approved
- That payment amounts are correct.

C. SCAG Ethics Hotline Reports Update

No reports were submitted to SCAG's ethics hotline since the last Audit Committee meeting. There are no current investigations underway related to the hotline.

FISCAL IMPACT:

None.