

AGENDA
Independent Taxpayer Oversight Committee Meeting

March 10, 2025

*****Start Time: 1:00 PM*****

Location

San Bernardino County Transportation Authority
First Floor Lobby Board Room
1170 W. 3rd Street, San Bernardino, CA 92410

Independent Taxpayer Oversight Committee Membership

Cole Jackson
Committee Member

Alex Artiaga
Committee Member

Patrick Morris
Committee Member

Chad Logan
Committee Member

Vacant
Committee Member

Ray Marquez
Board President/Ex-Officio

Raymond Wolfe
Executive Director/Ex-Officio

To obtain additional information on any items, please contact the staff person listed under each item. You are encouraged to obtain any clarifying information prior to the meeting to allow the Board to move expeditiously in its deliberations. Additional ***“Meeting Procedures”*** and agenda explanations are attached to the end of this agenda.

CALL TO ORDER

1. Attendance

Public Comment

Brief Comments from the General Public

SELECTION OF COMMITTEE CHAIR

2. Selection of Committee Chair

Conduct elections for a member to serve as the Chair of the Independent Taxpayer Oversight Committee.

Presenter: Lisa Lazzar

This item is not scheduled for review by any other policy committee or technical advisory committee.

MEASURE I AUDITS

3. Measure I Compliance Audit for Fiscal Year 2023/2024

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Review and make a finding that the Measure I expenditures for Fiscal Year 2023/2024 and the City of Adelanto for Fiscal Year 2021/2022 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

Presenter: Lisa Lazzar

This item is scheduled for review by the General Policy Committee on April 9, 2025.

ADJOURNMENT

Meeting Procedures and Rules of Conduct

Meeting Procedures - The Ralph M. Brown Act is the state law which guarantees the public's right to attend and participate in meetings of local legislative bodies. These rules have been adopted by the Board of Directors in accordance with the Brown Act, Government Code 54950 et seq., and shall apply at all meetings of the Board of Directors and Policy Committees.

Accessibility & Language Assistance - The meeting facility is accessible to persons with disabilities. A designated area is reserved with a microphone that is ADA accessible for public speaking. A designated section is available for wheelchairs in the west side of the boardroom gallery. If assistive listening devices, other auxiliary aids or language assistance services are needed in order to participate in the public meeting, requests should be made through the Clerk of the Board at least three (3) business days prior to the Board meeting. The Clerk can be reached by phone at (909) 884-8276 or via email at clerkoftheboard@gosbcta.com and office is located at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Service animals are permitted on SBCTA's premises. The ADA defines service animals as dogs or miniature horses that are individually trained to do work or perform tasks for people with disabilities. Under the ADA, service animals must be harnessed, leashed, or tethered, unless these devices interfere with the service animal's work, or the individual's disability prevents using these devices. In that case, the individual must maintain control of the animal through voice, signal, or other effective controls.

Accesibilidad y asistencia en otros idiomas - Las personas con discapacidad pueden acceder a la sala de reuniones. Se reserva una zona designada con un micrófono accesible que cumple con los requisitos de la ADA para hablar en público. Una sección designada está disponible para sillas de ruedas en el lado oeste de la galería de la sala de reuniones. Si se necesitan dispositivos de ayuda auditiva, otras ayudas auxiliares o servicios de asistencia en otros idiomas para participar en la reunión pública, las solicitudes deben presentarse al Secretario de la Junta al menos tres (3) días hábiles antes de la fecha de la reunión de la Junta. Puede comunicarse con el Secretario llamando al (909) 884-8276 o enviando un correo electrónico a clerkoftheboard@gosbcta.com. La oficina se encuentra en 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Los animales de servicio están permitidos en las instalaciones de SBCTA. La ADA define a los animales de servicio como perros o caballos miniatura que son entrenados individualmente para hacer trabajo o realizar tareas para personas con discapacidades. Según la ADA, los animales de servicio deben tener un arnés o ser atados, a menos que estos dispositivos interfieran con el trabajo del animal de servicio, o que la discapacidad de la persona impida el uso de estos dispositivos. En ese caso, la persona debe mantener el control del animal a través de su voz, señales u otros controles efectivos.

Agendas – All agendas are posted at www.gosbcta.com/board/meetings-agendas/ at least 72 hours in advance of the meeting. Staff reports related to agenda items may be reviewed online at that web address. Agendas are also posted at 1170 W. 3rd Street, 1st Floor, San Bernardino at least 72 hours in advance of the meeting.

Agenda Actions – Items listed on both the “Consent Calendar” and “Discussion” contain recommended actions. The Board of Directors will generally consider items in the order listed on the agenda. However, items may be considered in any order. New agenda items can be added and action taken as provided in the Ralph M. Brown Act Government Code Sec. 54954.2(b).

Closed Session Agenda Items – Consideration of closed session items excludes members of the public. These items include issues related to personnel, pending litigation, labor negotiations and real estate negotiations. Prior to each closed session, the President of the Board or Committee Chair (“President”) will announce the subject matter of the closed session. If reportable action is taken in closed session, the President shall report the action to the public at the conclusion of the closed session.

Public Testimony on an Item – Members of the public are afforded an opportunity to speak on any listed item, except Board agenda items that were previously considered at a Policy Committee meeting where there was an opportunity for public comment. Individuals in attendance at SBCTA who desire to speak on an item may complete and turn in a "Request to Speak" form, specifying each item an individual wishes to speak on. Individuals may also indicate their desire to speak on an agenda item when the President asks for public comment. When recognized by the President, speakers should be prepared to step forward and announce their name for the record. In the interest of facilitating the business of the Board, speakers are limited to three (3) minutes on each item. Additionally, a twelve (12) minute limitation is established for the total amount of time any one individual may address the Board at any one meeting. The President or a majority of the Board may establish a different time limit as appropriate, and parties to agenda items shall not be subject to the time limitations. Any individual who wishes to share written information with the Board may provide 35 copies to the Clerk of the Board for distribution. If providing written information for distribution to the Board, such information must be emailed to the Clerk of the Board, at clerkoftheboard@gosbcta.com, no later than 5:00 pm the day before the meeting in order to allow sufficient time to distribute the information. Information provided as public testimony is not read into the record by the Clerk. Consent Calendar items can be pulled at Board member request and will be brought up individually at the specified time in the agenda. Any consent item that is pulled for discussion shall be treated as a discussion item, allowing further public comment on those items.

Public Comment –An opportunity is also provided for members of the public to speak on any subject within the Board’s jurisdiction. Matters raised under “Public Comment” will not be acted upon at that meeting. See, “Public Testimony on an Item,” above.

Disruptive or Prohibited Conduct – If any meeting of the Board is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, the President may recess the meeting or order the person, group or groups of person willfully disrupting the meeting to leave the meeting or to be removed from the meeting. Disruptive or prohibited conduct includes without limitation addressing the Board without first being recognized, not addressing the subject before the Board, repetitiously addressing the same subject, failing to relinquish the podium when requested to do so, bringing into the meeting any type of object that could be used as a weapon, including without limitation sticks affixed to signs, or otherwise preventing the Board from conducting its meeting in an orderly manner.

Your cooperation is appreciated!

General Practices for Conducting Meetings
of
Board of Directors and Policy Committees

Attendance.

- The President of the Board or Chair of a Policy Committee (Chair) has the option of taking attendance by Roll Call. If attendance is taken by Roll Call, the Clerk of the Board will call out by jurisdiction or supervisorial district. The Member or Alternate will respond by stating his/her name.
- A Member/Alternate who arrives after attendance is taken shall announce his/her name prior to voting on any item.
- A Member/Alternate who wishes to leave the meeting after attendance is taken but before remaining items are voted on shall announce his/her name and that he/she is leaving the meeting.

Basic Agenda Item Discussion.

- The Chair announces the agenda item number and states the subject.
- The Chair calls upon the appropriate staff member or Board Member to report on the item.
- The Chair asks members of the Board/Committee if they have any questions or comments on the item. General discussion ensues.
- The Chair calls for public comment based on “Request to Speak” forms which may be submitted.
- Following public comment, the Chair announces that public comment is closed and asks if there is any further discussion by members of the Board/Committee.
- The Chair calls for a motion from members of the Board/Committee. Upon a motion, the Chair announces the name of the member who makes the motion. Motions require a second by a member of the Board/Committee. Upon a second, the Chair announces the name of the Member who made the second, and the vote is taken.
- The “aye” votes in favor of the motion shall be made collectively. Any Member who wishes to oppose or abstain from voting on the motion shall individually and orally state the Member’s “nay” vote or abstention. Members present who do not individually and orally state their “nay” vote or abstention shall be deemed, and reported to the public, to have voted “aye” on the motion.
- Votes at teleconferenced meetings shall be by roll call, pursuant to the Brown Act, or, at any meeting, upon the demand of five official representatives present or at the discretion of the presiding officer.

The Vote as specified in the SBCTA Administrative Code and SANBAG Bylaws.

- Each Member of the Board of Directors shall have one vote. In the absence of the official representative, the Alternate shall be entitled to vote. (Note that Alternates may vote only at meetings of the Board of Directors, Metro Valley Study Session and Mountain/Desert Policy Committee.)

Amendment or Substitute Motion.

- Occasionally a Board Member offers a substitute motion before the vote on a previous motion. In instances where there is a motion and a second, the Chair shall ask the maker of the original motion if he or she would like to amend the motion to include the substitution or withdraw the motion on the floor. If the maker of the original motion does not want to amend or withdraw, the substitute motion is voted upon first, and if it fails, then the original motion is considered.
- Occasionally, a motion dies for lack of a second.

Call for the Question.

- At times, a Member of the Board/Committee may “Call for the Question.”
- Upon a “Call for the Question,” the Chair may order that the debate stop or may allow for limited further comment to provide clarity on the proceedings.
- Alternatively, and at the Chair’s discretion, the Chair may call for a vote of the Board/Committee to determine whether or not debate is stopped.
- The Chair re-states the motion before the Board/Committee and calls for the vote on the item.

The Chair.

- At all times, meetings are conducted in accordance with the Chair’s direction.
- These general practices provide guidelines for orderly conduct.
- From time to time, circumstances may require deviation from general practice (but not from the Brown Act or agency policy).
- Deviation from general practice is at the discretion of the Chair.

Courtesy and Decorum.

- These general practices provide for business of the Board/Committee to be conducted efficiently, fairly and with full participation.
- It is the responsibility of the Chair and Members to maintain common courtesy and decorum.

Adopted By SANBAG Board of Directors January 2008

Revised March 2014

Revised May 4, 2016

Revised June 7, 2023

Minute Action

AGENDA ITEM: 2

Date: *March 10, 2025*

Subject:

Selection of Committee Chair

Recommendation:

Conduct elections for a member to serve as the Chair of the Independent Taxpayer Oversight Committee.

Background:

This item provides for an election to be conducted, which will identify the Chair of the Committee.

Current positions include the following:

- A. Professional in the field of municipal audit – Cole Jackson (term expiring 10/31/2028)
- B. Licensed civil engineer – *Vacant*
- C. Manager of a publicly financed project – Alex Artiaga (term expiring 6/30/2028)
- D. Manager of a privately financed project – Chad Logan (term expiring 6/30/2028)
- E. Public member – Patrick Morris (term expiring 3/1/2029)

Financial Impact:

This item has no financial impact on the adopted Budget for Fiscal Year 2024/2025.

Reviewed By:

This item is not scheduled for review by any other policy committee or technical advisory committee.

Responsible Staff:

Lisa Lazzar, Chief Financial Officer

Approved
Independent Taxpayer Oversight Committee Meeting
Date: March 10, 2025

Witnessed By:

Entity: San Bernardino Council of Governments, San Bernardino County Transportation Authority

Minute Action

AGENDA ITEM: 3

Date: *March 10, 2025*

Subject:

Measure I Compliance Audit for Fiscal Year 2023/2024

Recommendation:

Review and make a finding that the Measure I expenditures for Fiscal Year 2023/2024 and the City of Adelanto for Fiscal Year 2021/2022 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

Background:

Each year San Bernardino County Transportation Authority (SBCTA) conducts an annual comprehensive financial audit of SBCTA and provides for audits of all local jurisdictions receiving Measure I 2010-2040 Local Streets Program Funds, which are dedicated for transportation planning, design, construction, operation, and maintenance.

A financial examination is completed by an independent audit firm for activities during the previous Fiscal Year (FY), including internal control systems of checks and balances. The examination must encompass both project expenditures and projects for which funds were received but not expended. A listing of all projects comparing actual revenues and expenses to the Measure I Five-Year Capital Improvement Plan (CIP) adopted by the local governing board and reported annually to SBCTA, must be included with any interest earned. The report shall also contain an examination of expenditures, a statement of revenue and expenses, and a balance sheet for each Measure I 2010-2040 Local Streets Program Special Revenue fund.

SBCTA executed an agreement with Crowe, LLP to conduct Compliance Audits of the Measure I 2010-2040 Local Streets Program Funds for FY 2023/2024. These auditors verified compliance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the SBCTA Local Streets Program that funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes, also known as Maintenance of Effort (MOE). The MOE base year level was determined based on the discretionary General Fund expenditures for transportation-related construction and maintenance activities in FY 2008/2009. The MOE base year level as approved by the SBCTA Board of Directors shall remain in effect until the expiration of Measure I 2010-2040.

Measure I 2010-2040 Local Streets Program Audit reports for FY 2023/2024 and the SBCTA Annual Comprehensive Financial Report (ACFR) are being provided to the Independent Taxpayer Oversight Committee (ITOC) as a separate attachment. The recommendation for this item is for the ITOC to make a finding that Measure I expenditures for FY 2023/2024 and the City of Adelanto for FY 2021/2022 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

The Measure I 2010-2040 Local Streets Program audits for the Cities of Rialto, San Bernardino, and Victorville are expected to be completed on or before February 28, 2025, or shortly thereafter. These audits were not finalized by the end of the initial extension period with no additional extension requests. The withholding of Measure I 2010-2040 Local Streets Program revenue will commence in March 2025 and continue until the FY 2023/2024 audit is completed. The Town of Apple Valley and the City of Adelanto have requested extensions through

Entity: San Bernardino County Transportation Authority

Independent Taxpayer Oversight Committee Meeting Agenda Item

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May 31, 2025. The audits for the City of Adelanto for FY 2022/2023 and FY 2023/2024 are not complete, thus they are currently subject to withholding.

The audits resulted in the following findings:

City of Adelanto (City) for FY 2021/2022

- Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, reviewed, and approved in a timely manner. Management review over invoicing, cash receipts, and journal entries should be in place to ensure the City has the ability to initiate, record, process, and report accurate financial data consistent with generally accepted accounting principles. During substantive testing, it was noted that there was one invoice improperly recorded in FY 2022 instead of FY 2021. There was also no evidence of proper segregation controls over revenues, expenditures, journal entries, and timely preparation and review of bank reconciliations.

Corrective Action: As of May 2024, the City has hired a team of accounting consultants to assist with monthly closing and other accounting services.

City of Colton (City) for FY 2023/2024:

- The Measure I Strategic Plan states that each local jurisdiction is required to annually adopt a Five-Year CIP which details the specific projects to be funded using Measure I 2010-2040 Local Street Program Funds. Expenditures of Measure I Local Pass-Through Funds must be detailed in the Five-Year CIP and adopted by resolution of the governing body. The Measure I Strategic Plan further states that the Five-Year CIP shall be the basis for the annual audit. For a project to be eligible for Measure I 2010-2040 Local Streets Program Funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year. The City utilized Measure I to cover costs for a certain project not included in the current CIP. The project was included in the CIP for FY 2022/2023 but not added to the CIP for FY 2023/2024. It is recommended the City review the CIP to ensure Measure I funds are only used for these projects. Management should issue an amended CIP in instances where a project needs to be added during the year.

Corrective Action: The project was listed on the CIP for FY 2020/2021 through FY 2022/2023. There were charges incurred for staff time for the final invoice and close-out documents to California Department of Transportation, resulting in a timing difference. The City will thoroughly review the project list before removing projects and their internal business process has been updated to keep the projects on the list until the completion of final reimbursement and close-out.

- Management is responsible for ensuring fund balances are properly carried forward. This includes the proper posting of audit adjusting entries to ensure accurate financial reporting. The beginning fund balance did not roll forward from the prior year because the City did not post the prior year's audit adjusting entries. Fund balance was required to be decreased by \$122,151, revenue was increased by \$120,276, and cash was decreased by \$1,875. It is recommended that the City implement internal controls to ensure all necessary audit adjustments are reviewed, approved, and posted before closing and to

review balances against prior year audit reports for accuracy.

Corrective Action: The City will review the prior year audit report and audit adjustments at the beginning of each fiscal year.

- Management is responsible for accounting for the City's special revenue funds recognizing revenues when they are measurable and available. Revenue recognition for the City is 60 days after the fiscal period ends. The City recognized revenue for Measure I funds that were received more than 60 days after the end of the 2023/2024 fiscal year. It is recommended that the City review the receipt date for all revenue transactions to determine if they are both measurable and available.

Corrective Action: Management will review the receipt date for all revenue transactions to determine the appropriate recognition of revenues during the recognition period.

City of Grand Terrace (City) for FY 2023/2024:

- Pursuant to the Valley Local Street Program Measure I 2010-2040 Strategic Plan, if Measure I funds are invested, they must receive their equitable proration of interest earned on the total funds invested. There was no equitable proration of interest earned to the Measure I funds cash and investment balance. It is recommended that a distribution based on the average month-end cash balance be employed.

Corrective Action: The City concurs with the finding. The city prepared quarterly interest allocations and recorded adjusting entries that were provided to the auditors.

City of Ontario (City) for FY 2023/2024:

- Management is responsible for accounting for the City's special revenue funds recognizing revenues when they are measurable and available. Revenue recognition for the City is 60 days after the fiscal period ends. The City recognized revenue for Measure I funds that were received more than 60 days after the end of the 2023/2024 fiscal year. It is recommended that the City review the receipt date for all revenue transactions to determine if they are both measurable and available.

Corrective Action: The City acknowledges the finding and will prepare an accounting entry for the proper recognition and recording of unavailable revenues.

Town of Yucca Valley (Town) for FY 2023/2024:

- The Measure I Strategic Plan states that each local jurisdiction is required to annually adopt a Five-Year CIP which details the specific projects to be funded using Measure I 2010-2040 Local Street Program Funds. Expenditures of Measure I Local Pass-Through Funds must be detailed in the Five-Year CIP and adopted by resolution of the governing body. The Measure I Strategic Plan further states that the Five-Year CIP shall be the basis for the annual audit. For a project to be eligible for Measure I 2010-2040 Local Streets Program Funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year. The Town utilized Measure I to cover costs for a certain project not included in the current CIP. The project was included in the CIP for FY 2022/2023 but not added to the CIP for FY 2023/2024. It is recommended that management keep projects on their current CIP in

the instance there is a delay in Measure I funds reimbursing to other Town funds for project expenses. Management could also issue an amended CIP in instances where a project needs to be added during the year.

Corrective Action: Town management maintains that this was an approved project and reimbursed the identified expenditures with the understanding that this was a compliant reimbursement according to SBCTA's approval. The current policy lacks clarity on the extension or carryforward of already approved projects that either span multiple years or require reimbursement in the following year. The Town continues to monitor and improve its internal processes and reporting and will continue to prioritize excellence in financial reporting for the upcoming years.

SBCTA for FY 2023/2024:

- SBCTA's single audit (attached) includes one finding regarding revenue recognition. Internal controls over closing and financial reporting processes should be in place to ensure SBCTA has the ability to initiate, record, process, and report accurate financial data. Generally Accepted Accounting Principles (GAAP) require that governmental funds revenues should be recognized in the accounting period they become both measurable and available. SBCTA considers revenue to be available when collected within 180 days after the end of the current fiscal period. During testing, auditors identified revenues that did not meet the availability criteria. Multiple audit adjustments were posted to the financial statements to properly present SBCTA's statements in accordance with GAAP. It is recommended that management create and adopt a policy to ensure all transactions and activities are properly documented, accounted for, and maintained in the accounting records. Specifically, it is recommended that management strengthen their review process to ensure that unavailable revenues are reconciled and recorded in accordance with GAAP.

Corrective Action: Management agrees with the auditor's finding and has implemented an updated recognition period of 120 days. This adjustment enables SBCTA to accurately recognize revenue based on actual receipts before the audit period concludes.

Financial Impact:

This item has no financial impact on the adopted Budget for Fiscal Year 2024/2025.

Reviewed By:

This item is scheduled for review by the General Policy Committee on April 9, 2025.

Responsible Staff:

Lisa Lazzar, Chief Financial Officer

Approved
Independent Taxpayer Oversight Committee Meeting
Date: March 10, 2025

Witnessed By:

**SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY**

SINGLE AUDIT

Year ended June 30, 2024

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
San Bernardino, California

SINGLE AUDIT
Year ended June 30, 2024

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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*..... 1

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Attachment: SBCTA Single Audit Report 2024 (unsecured) (11321 : MSI Compliance Audit for FY 2023/2024)



**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**

Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

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, the business-type activities, each major fund, and the aggregate remaining fund information of San Bernardino County Transportation Authority (SBCTA) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise SBCTA's basic financial statements, and have issued our report thereon dated December 9, 2024. As discussed in Note 20 to the financial statements, during the year ended June 30, 2024, SBCTA adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections*. Net position as of and for the year then ended June 30, 2023 was restated by \$5,369,801 as a result of adoption. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SBCTA'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 SBCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of SBCTA'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 2024-001, that we consider to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SBCTA'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.


Crowe LLP

Costa Mesa, California
December 9, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited San Bernardino County Transportation Authority's (SBCTA) 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 the SBCTA's major federal program for the year ended June 30, 2024. SBCTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SBCTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on 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 SBCTA 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 the major federal program. Our audit does not provide a legal determination of SBCTA'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 SBCTA's federal programs.

(Continued)

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 SBCTA'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 SBCTA's compliance with the requirements of the 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 SBCTA'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 SBCTA'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 SBCTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of SBCTA as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise SBCTA's basic financial statements. We issued our report thereon dated December 9, 2024, 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 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.


Crowe LLP

Costa Mesa, California
December 9, 2024

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2024

Federal Grantor/Pass-through Entity Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
United States Environmental Protection Agency			
Direct Programs:			
Climate Pollution Reduction Grants	66.046	98T76601	\$ 429,148
Department of Transportation			
Federal Highway Administration			
Highway Planning and Construction			
Pass-through California Department of Transportation:			
Highway Planning and Construction	20.205	STPLULN-6053-122	\$ (160) *
Highway Planning and Construction	20.205	DEM08STP-6053-125-STP	49,412
Highway Planning and Construction	20.205	DEM08STP-6053-125-HIP	71,404
Highway Planning and Construction	20.205	CMSTPLN-6053-130-STP	9,186,349
Highway Planning and Construction	20.205	CMSTPLN-6053-130-CMAQ	8,202,849
Highway Planning and Construction	20.205	HBP-BRLS-6507-003	28,673,139
Highway Planning and Construction	20.205	STP-STPLN-6507-011	3,503,361
Highway Planning and Construction	20.205	HBP-BRLS-6507-027	19,831,247
Highway Planning and Construction	20.205	CML-6507-029	527,591
Highway Planning and Construction	20.205	CMLNI-6507-031	227,864
Highway Planning and Construction	20.205	CMLNI-6507-037	156,000
Highway Planning and Construction	20.205	STPCRALN-6507-035	5,899,426
Highway Planning and Construction	20.205	STPCRALN-6507-034	<u>4,590,459</u>
Total Highway Planning and Construction			<u>80,918,941</u>
Federal Transit Administration			
Federal Transit Cluster			
Direct Programs:			
Federal Transit - Capital Improvement Grants	20.500	CA-2023-025-01	\$ 10,373,040
COVID-19 - Federal Transit - Capital Improvement Grants	20.500	CA-2023-048-01	<u>12,083,059</u>
			22,456,099
Pass-through Omnitrans			
Federal Transit - Formula Grant	20.507	CA-2018-040-00	<u>687,417</u>
Total Federal Transit Cluster			<u>23,143,516</u>
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program			
TIFIA Cluster			
Direct: TIFIA I-10 Corridor Contract 1 Project	20.223	TIFIA-20211004A	<u>\$ 40,200,785</u>
Total Expenditures of Federal Awards			<u>\$ 144,692,390</u>

* The negative amount of -\$160 was due to an escrow refund.

See accompanying notes to schedule of expenditures of federal awards.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of SBCTA for the year ended June 30, 2024. The information in this schedule 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 SBCTA operations, it does not present the financial position, changes in net position, or cash flows of SBCTA.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. SBCTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 - MATCHING COSTS

The nonfederal share of program costs (matching costs) are not included in the accompanying Schedule of Expenditure of Federal Awards.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

20.205

Highway Planning and Construction Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2024-001 – Revenue Recognition (Significant Deficiency)

Criteria: Internal controls over the closing and financial reporting process should be in place to ensure SBCTA has the ability to initiate, record, process, and report accurate financial data consistent with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that governmental fund revenue should be recognized in the accounting period in which they become both measurable and available. The term available means that they are collected or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The length of time selected by a government during which revenues are considered available, which typically falls between thirty days and one year, defines the critical aspect of when revenues are recognized in a governmental fund. SBCTA considered revenue to be available if they were collected within 180 days (period of availability) after the end of the current fiscal period.

Condition/Context: During the year-end testing procedures, we identified multiple errors in the deferred inflows of resources - unavailable revenues account. Management received grant proceeds within the 180 day period of availability within fiscal year 2022 & 2023, but had incorrectly recorded a deferred inflow of resources rather than recognize revenue in fiscal year 2023. The following is a summary of each adjustment:

- \$5,369,081 of revenues in the Federal special revenue fund should have been recognized in fiscal year 2022, but was still recorded as a deferred inflow of resources.
- \$9,026,073 of revenues in the Federal Transit Administration special revenue fund should have been recognized in fiscal year 2023, but was recorded as a deferred inflow of resources.
- \$1,272,892 of revenues in the State special revenue fund should have been recognized in fiscal year 2023, but was recorded as a deferred inflow of resources.

Effect: Multiple audit adjustments to the financial statements were required during the audit to properly present SBCTA's financial statements in accordance with GAAP. It should be noted that the above adjustments were only in the governmental fund statements. The governmental activities (primary government) presented on the government wide financial statements were unaffected by the adjustments, nor was there any error or adjustment needed on the schedule of expenditures of federal awards.

Cause: Management did not design or implement internal controls to ensure that governmental funds recognized revenue when both measurable and available within their availability period disclosed in the summary of significant accounting policies in accordance with generally accepted accounting principles.

Recommendation: We recommend management create and adopt a policy to ensure all transactions and activities are properly documented, accounted for, and maintained in the accounting records. Specifically, we recommend that management strengthen their review process to ensure that unavailable revenue is reconciled and recorded in accordance with GAAP. Revenue that has been received within the period of availability should be recognized and deducted from the deferred inflows of resources - unavailable revenues account.

Views of responsible officials and planned corrective actions: Management agrees with the auditor's finding, and the following actions have been taken to improve revenue recognition. We have updated our revenue recognition timeline to consider revenue available if collected within 120 days following the fiscal year-end. This adjustment enables SBCTA to accurately recognize revenue based on actual receipts before the audit period concludes. The finance team has been trained on this update and will revise procedures to review billings and cash collections, ensuring that revenues are correctly recorded as either recognized or unavailable based on actual receipts.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

Attachment: SBCTA Single Audit Report 2024 (unsecured) (11321 : MSI Compliance Audit for FY 2023/2024)