

Imperial County Transportation Commission

El Centro, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2023

Imperial County Transportation Commission
Single Audit Report
For the Year Ended June 30, 2023
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**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***

Independent Auditors' Report

To the Board of Directors
of the Imperial County Transportation Commission
El Centro, 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 related notes to financial statements of the Imperial County Transportation Commission ("Commission"), as of and for the year ended June 30, 2023, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Commission'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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weakness.

To the Board of Directors
of the Imperial County Transportation Commission
El Centro, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's basic 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*.

The Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

The PwC Group, LLP

San Diego, California
March 19, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE,
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

To the Board of Directors
of the Imperial County Transportation Commission
El Centro, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Imperial County Transportation Commission's ("Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2023. The Commission's major federal programs are identified in the Summary of the Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission'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 the Commission's federal programs.

Auditors' 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 the Commission'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 auditing standards generally accepted in the United States of America, *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 the Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *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 the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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.

To the Board of Directors
of the Imperial County Transportation Commission
El Centro, California
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Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Commission as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the Commission's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
March 19, 2024

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Imperial County Transportation Commission
Single Audit Report
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
<i>Direct Programs:</i>			
Federal Transit Cluster:			
Urbanized Area Formula Program, Section 5307	20.507	CA-7016-2019-101	\$ 2,215,645
Urbanized Area Formula Program, Section 5307 - ARPA	20.507	ARPA 2021-031	1,116,397
		Federal Transit Cluster Total	<u>3,332,042</u>
<i>Passed Through California Department of Transportation:</i>			
Formula Grants for Rural Areas, Section 5311 - CARES	20.509	CARES 64VO20-1320	169,550
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities, Section 5310	20.513	SA64AM19-01181 ARPA	44,263
Enhanced Mobility of Seniors and Individuals with Disabilities, Section 5310	20.513	SA64AM19-01181	109,183
		Transit Services Programs Cluster Total	<u>153,446</u>
National Infrastructure Investments	20.933	BUILD L6471(017)	5,736,234
		Total U.S. Department of Transportation	<u>9,391,272</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Programs:</i>			
Brownfields Assessment and Cleanup Grant Program	66.818	99T62101	50,592
		Total U.S. Environmental Protection Agency	<u>50,592</u>
		TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 9,441,864</u>

Imperial County Transportation Commission
Single Audit Report
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Reporting Entity

The Imperial County Transportation Commission (the “Commission”) was established under Senate Bill 607 (SB 607 - Ducheny) which was approved by the California Legislature and Governor Arnold Schwarzenegger in 2009. As a county transportation commission, the Commission member agencies are enabled to exercise basic initiative and leadership in the transportation planning and programming process. The Commission will act in accordance with all applicable laws and statutes for county transportation commissions. The Commission body will guide the development of the Regional Transportation Plan for the Imperial region and its Regional, State and Federal transportation improvement programs (“TIP”s) and their updates, including, but not limited to: the distribution and oversight of Local Transportation Fund monies; the preparation and submittal of applications for transportation related funds; approval of the allocation and claims for Transportation Development Act funds; the planning, programming and administration of regional transit services; and, encourage active citizen participation in the development and implementation of various transportation-related plans and programs.

As established under SB 607, the Commission Board is currently composed of ten voting members and one non-voting member consisting of two members of the Imperial County Board of Supervisors; one member from each incorporated city (seven) within Imperial County who shall be the mayor of the city or a member of its city council; one member of the Board of Directors of the Imperial Irrigation District; and, one non-voting member appointed by the Governor representing the California Department of Transportation (“CalTrans”). In the future the governing Board of the commission may also include the following ex-officio or non-voting members: one member representing the State of Baja California, Mexico, who may be appointed by the governor of the state; one member representing the municipality of Mexicali, Mexico, who may be the mayor or his or her designee; one member representing the Consul of Mexico in Calexico, California, who may be the consul or his or her designee; and, one member representing any federally recognized Native American tribe in Imperial County.

In addition to the responsibilities described above, the Commission provides direct management, administration and oversight for the following local and regional transportation programs:

- Imperial Valley Transit (“IVT”) System and its Inner-City Circulator Service (Blue, Green, and Gold Lines)
- MedTrans (non-emergency medical demand response service to San Diego)
- IVT ACCESS (Americans with Disabilities Act - ADA paratransit service)
- IVT RIDE (curb to curb transit service for seniors; persons age 55 years and over, and persons with disabilities in the Cities of Brawley, Calexico, El Centro, Heber, Imperial and West Shores)
- Imperial County Local Transportation Authority (Measure D Sales Tax Program)

Note 2 – Schedule of Expenditures Federal Awards

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal financial assistance programs of the Commission. Federal financial assistance received directly from the federal agencies, as well as federal financial assistance passed through the State of California, is included in the Schedule. 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* (the “Uniform Guidance”). Because the schedule was prepared from only the accounts of the various grant programs, it is not intended to, and does not, present the financial position or results of operations of the Commission.

Imperial County Transportation Commission
Single Audit Report
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Note 3 – Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue funds and enterprise funds of the Commission. The Commission utilizes the modified accrual method of accounting for the special revenue funds and the full accrual method of accounting for the enterprise funds. The accompanying Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the Commission's basic financial statements.

Note 4 – Subrecipients

The Commission did not provide any amounts to subrecipients during the fiscal year ended June 30, 2023.

Note 5 – Indirect Cost Rate

The Commission has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

Imperial County Transportation Commission
Single Audit Report
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors’ 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? 2023-001
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? No
- Significant deficiency (ies) identified? None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	Federal Assistance Listing Number	Expenditures
Federal Transit Cluster	20.507	\$ 3,332,042
Total Expenditures of All Major Federal Programs		\$ 3,332,042
Total Expenditures of Federal Awards		\$ 9,441,864
Percentage of Total Expenditures of Federal Awards		35.29%

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? Yes

Imperial County Transportation Commission
Single Audit Report
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

Finding 2023-001 Internal Control Over Financial Reporting – Prior Period Adjustments

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting and compliance. Management is also responsible for the accuracy of the financial statements including disclosures.

The internal control should include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity’s identification and analysis of relevant risks to achievement of its objectives, forming a basis for developing appropriate risk responses.
- *Control activities* are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- *Monitoring* consists of activities management establishes and operates to assess the quality of performance over time.

Condition:

During the audit, as discussed in Note 14 to the basic financial statements, the Commission restated its beginning net position of the government-wide governmental activities by \$1,998,917 and the business-type activities by \$260,000 in order to record TDA funding received, to record LTA matching funds, to correct a payroll accrual, and to correct a deposit. These prior period adjustments were made on the corresponding fund financial statements as follows:

	Governmental Funds				Enterprise Fund
	Transportation Development Act Fund	Regional Planning and Programs Fund	Regional Collaborations Fund	SAFE Fund	Transit Planning and Programs Management Fund
Fund balance/net position July 1, 2022, as previously reported	\$ 14,814,548	\$ (24,766)	\$ 26	\$ 1,476,064	\$ 30,160,649
Adjustments:					
To record TDA received	973,308	-	-	-	-
To record LTA matching funds	-	1,026,034	-	-	-
To correct payroll accrual	-	-	(1,012)	587	-
To correct deposit	-	-	-	-	260,000
total adjustments	973,308	1,026,034	(1,012)	587	260,000
Fund balance/net position July 1, 2022 as restated	\$ 15,787,856	\$ 1,001,268	\$ (986)	\$ 1,476,651	\$ 30,420,649

Imperial County Transportation Commission
Single Audit Report
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

A. Current Year Financial Statement Findings (Continued)

Finding 2023-001 Internal Control Over Financial Reporting – Prior Period Adjustments (Continued)

Cause:

The Commission did not properly follow its policies and procedures for evaluating, reviewing, and properly recording financial transactions relating to the financial close and reporting of their fiscal year ended June 30, 2022 financial statements. Accruals, reconciliations, and sub-ledgers that support the amounts and disclosures in the financial statements should be reconciled to the general ledger and reviewed by management in a timely manner to ensure that the general ledger is complete and accurate with all transactions recorded in the proper period.

Repeat Finding:

No

Effect or Potential Effect:

Restatements of beginning net position as of July 1, 2022 for both the government-wide financial statements governmental activities (\$1,998,917) and business-type activities (\$260,000) were necessary, as well as to the corresponding governmental and enterprise funds.

Recommendation:

The Commission should enhance its review processes over transactions arising from capital assets to ensure the accurate and complete year-end closing of the general ledger and the preparation of its basic financial statements.

Management View and Corrective Action Plan:

The Commission concurs with the finding. The Commission is continuously establishing procedures to ensure all year-end close out activities are completed as required.

The Commission will enhance its year-end documentation evaluation, reconciliation and tracking processes to ensure all year-end transactions are completed within the performance period. Completing all year-end transactions within the performance period will assist the Commission with eliminating prior period adjustments.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2022.

Imperial County Transportation Commission
Single Audit Report
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Awards Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the Commission’s major programs for the year ended June 30, 2023.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the Commission’s major programs for the year ended June 30, 2022.

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