



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2023

Shasta Regional Transportation Agency

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 <i>Government Auditing Standards</i> and the Transportation Development Act	1
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	
Section I – Summary of Auditor's Results	9
Section II – Financial Statement Findings	10
Section III – Federal Award Findings and Questioned Costs.....	13
Summary Schedule of Prior Audit Findings.....	15



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* and the Transportation Development Act

Board of Directors
Shasta Regional Transportation Agency
Redding, 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 and each major fund of the Shasta Regional Transportation Agency (Agency) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 28, 2024. Our report contains an emphasis of matter paragraph regarding the implementation of GASB Statement No. 96. *Subscription-Based Information Technology Arrangements*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as item 2023-001 through 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Title 21 of the California Code of Regulations, 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* or Section 6666 of Title 21 of the California Code of Regulations.

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Agency'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.

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

Sacramento, California
August 28, 2024



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Shasta Regional Transportation Agency
Redding, California

Report on Compliance for the Major Federal Program

Opinion on Major Federal Program

We have audited the Shasta Regional Transportation Agency's (Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2023. The Agency'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, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (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 the Agency 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 Agency'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 Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency'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 the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency'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 Agency'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 Agency's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which we described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated August 28, 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Sacramento, California
September 19, 2024

Shasta Regional Transportation Agency
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal	Pass-through Entity Identifying Number	Expenditures
U.S Department of Transportation			
Passed through the California Department of Transportation			
Metropolitan Planning and Research			
Federal Highway Administration - Metropolitan Planning	20.505	74A0821	\$ 444,387
Federal Transit Administration - Metropolitan Planning	20.505	74A0821	94,306
Federal Transit Administration - State Planning & Research, Part I	20.505	74A0821	222,354
Federal Transit Administration - Section 5304	20.505	74A0821	<u>35,065</u>
Total Metropolitan Planning and Research			<u>796,112</u>
Total U.S Department of Transportation			<u>796,112</u>
Total Federal Financial Assistance			<u><u>\$ 796,112</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Shasta Regional Transportation Agency (the Agency) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position or fund balance of the Agency.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the (*modified accrual*) basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Agency has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
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

Identification of major federal programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Metropolitan Planning and Research	20.505
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2023-001 FINANCIAL REPORTING

Criteria:

Management is responsible for taking responsibility for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded.

Condition Found:

Material Weakness – Management identified and corrected misstatements related to the recognition of unearned revenues that resulted in a prior period adjustment. We also noted several audit adjustments were required to be made.

Context:

The Agency's financial statements required a material audit adjustment to comply with generally accepted accounting principles.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-001.

Effect:

The result of the condition above resulted in a misstatement of governmental activities and the fund financial statements.

Cause:

Management did not review the accounting treatment for specific funding sources to ensure that the appropriate accounting principles are applied.

Recommendation:

We recommend that the Agency ensure that the financial records of the Agency are complete and accurate prior to the audit process and contain all necessary adjustments.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. The prior period adjustments were required to reconcile closing program funding years and reconciling other program activities from FY 2022/23 that were not able to be addressed prior to fiscal year-end. Additional staff positions were added to Agency classifications in June 2024 to potentially recruit staff to further remediate the financial reporting weaknesses.

2023-002 SEGREGATION OF DUTIES

Criteria:

Internal controls should be established to ensure segregation of duties between the initiation and approval functions over journal entries.

Condition Found:

Material Weakness – We identified instances in which journal entries were initiated and approved by the same individual.

Context:

During our audit, we identified that the Chief Fiscal Officer both prepares and approves all journal entries that are entered into the Agency's finance system.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-002.

Effect:

There is an increased risk of error or fraud if the journal entries are initiated and reviewed by the same individuals.

Cause:

The journal entry process did not have proper segregation of duties.

Recommendation:

We recommend that management implement policies and procedures within the Agency to disallow an individual from creating, approving, and posting the same entry or implement a period review of these journal entries by a separate individual.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. In May 2024, an Accounting Clerk Apprentice was hired and could temporarily assist with segregation of duties during their term. Additional staff positions were added to Agency classifications June 2024 to potentially recruit staff to further remediate the segregation of duties weakness. Management will evaluate further opportunities to segregate duties based on available workload.

2022-003 BANK RECONCILIATION

Criteria:

Internal controls should be established to ensure that the cash reconciliation is accurate and accounts for only the items attributable to the reconciled account and policies and procedures are in place to ensure review of the reconciliation is performed by someone other than the preparer.

Condition Found:

Material Weakness – The bank reconciliation was inaccurate and required an adjustment to tie to the trial balance and articulate with the bank balance and the bank reconciliation was not reviewed by another person.

Context:

During our audit we identified a double reconciled deposit from June 2022 that had not been removed from the bank reconciliation in the amount of \$69,659. This required an audit adjustment to the trial balance.

Repeat Finding from Prior Year(s):

Yes. See finding 2022-003.

Effect:

The cash balance for the Agency was understated by \$69,659.

Cause:

The Agency's QuickBooks system has inherent limitations that allow for the posting of transactions not recorded in a specific bank account. Additionally, the Agency does not have sufficient staffing to ensure that a review and approval of the bank reconciliation is performed.

Recommendation:

We recommend that management implement policies and procedures within the Agency to ensure that the bank reconciliation articulates between the general ledger, trial balance, and the bank balance and evidence of review is maintained.

Views of Responsible Officials and Planned Corrective Actions:

Agency management agrees with the finding. The Agency has updated policies and procedures to ensure appropriate accounting principles are applied. In May 2024, an Accounting Clerk Apprentice was hired and will temporarily assist with bank reconciliation during their term. Additional staff positions were added to Agency classifications June 2024 to potentially recruit staff to further remediate the bank reconciliation weakness.

Section III – Federal Award Findings and Questioned Costs

2023-004 **Program:** Metropolitan Planning & Research
Federal Financial Assistance Listing No.: 20.505
Federal Agency: U.S. Department of Transportation
Passed-through: California Department of Transportation
Award Number and Year: 74A0821 (2015)
Compliance Requirement: Reporting
Type of Finding: *Significant Deficiency in Internal Control over Compliance, Instance of Noncompliance*

Criteria:

Per the grant agreement 74A0821 between Shasta Regional Transportation Agency and the State of California Department of Transportation, Division of Transportation Planning, dated January 1, 2015, Article I – Program Administration, Section 2. Quarterly Progress Reports, the Agency is required to submit quarterly progress reports no later than thirty (30) calendar days after the close of each quarter.

Condition:

As a result of our testing over reporting, we identified 1 instance out of 3 sampled in which the report was filed ten (10) days after the due date.

Cause:

The Agency's policies and procedures did not ensure that timely reporting was completed.

Effect:

The lack of performance of timely reporting could result in the risk of noncompliance with the program.

Questioned Costs:

None reported.

Context/Sampling:

A sample of two (2) quarterly reports and one (1) indirect cost plan was selected out of four (4) quarterly reports and one (1) indirect cost plan.

Repeat Finding from Prior Year(s):

No.

Recommendation:

We recommend that the Agency strengthen its current policies and procedures with regards to timeliness of reports.

Views of Responsible Officials:

Management agrees with the finding. Delay in Caltrans approving the first quarter request for reimbursement and progress reports until January 24, 2023, as well as additional staff time needed to prepare the narrative information, resulted in the submittal of the second quarter reports nine days after the due date of January 30, 2023. Caltrans District 2 staff were notified early that there would be a delay in the reporting and indicated this was acceptable. This is an extraordinary occurrence, as it is SRTA's common practice to submit all required reports before the deadline.

Shasta Regional Transportation Agency

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2023

Finding No.	Finding or Program/Cluster	Assistance Listing No.	Compliance Requirement	Status
2022-001	Financial Reporting	Not Applicable	Not Applicable	Partially implemented. See finding 2023-001
2022-002	Segregation of Duties	Not Applicable	Not Applicable	Partially implemented. See finding 2023-002
2022-003	Bank Reconciliation	Not Applicable	Not Applicable	Partially implemented. See finding 2023-003