

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS  
SINGLE AUDIT REPORT ON FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022



**DavisFarr**  
CERTIFIED PUBLIC ACCOUNTANTS

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**Single Audit Report on Federal Awards**

**Year Ended June 30, 2022**

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**Single Audit Report on Federal Awards**

**Year Ended June 30, 2022**

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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 Auditor's Report**

Executive Committee  
Coachella Valley Association of Governments  
Palm Desert, CA

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 of the Coachella Valley Association of Governments (CVAG), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the CVAG's basic financial statements, and have issued our report thereon dated February 22, 2023

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the CVAG's internal control over financial reporting (internal control) as a basis for designing the 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 CVAG's internal control. Accordingly, we do not express an opinion on the effectiveness of the CVAG'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 CVAG'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 did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. The reference number of the related finding is 2022-001.

Executive Committee  
Coachella Valley Association of Governments  
Palm Desert, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CVAG'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 statement amounts. 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*.

### **CVAG's Response to Findings**

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

### **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 CVAG'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 CVAG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California  
February 22, 2023

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**Independent Auditors' Report**

Executive Committee  
Coachella Valley Association of Governments  
Palm Desert, CA

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Coachella Valley Association of Government's (CVAG) 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 each of CVAG's major federal programs for the year ended June 30, 2022. The CVAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the CVAG 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, 2022.

***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 CVAG 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 CVAG'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

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with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the CVAG'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 CVAG'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 CVAG'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 CVAG'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 CVAG'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 CVAG'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.

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Palm Desert, California

*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.

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 CVAG as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the CVAG's basic financial statements. We issued our report thereon, dated February 22, 2023, 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 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.

DavisFarrLLP

Irvine, California  
February 22, 2023

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<b><u>U.S. Department of Transportation</u></b>				
Passed through the California Department of Transportation:				
Highway Planning and Construction Cluster:				
Active Transportation Program (ATP)	20.205	08-6164R	\$ 5,907,607	\$ -
Congestion Mitigation and Air Quality (CMAQ)	20.205	08-6164F15	<u>7,393,551</u>	<u>-</u>
Total Highway Planning and Construction Cluster			<u>13,301,158</u>	<u>-</u>
Total Expenditure of Federal Awards			<u>\$ 13,301,158</u>	<u>\$ -</u>

See Note to Schedule of Expenditures of Federal Awards.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**Note to the Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2022**

**(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Coachella Valley Association of Governments under programs of the federal government for the year ended June 30, 2022. All financial assistance received directly from federal agencies is included in the accompanying Schedule. The information in the 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). CVAG did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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. Pass-through entity identifying numbers are presented where available.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

**Section I - Summary of Auditor's Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. Material weakness(es) identified?  | No         |
| b. Significant deficiency(ies) identified?  | Yes        |
| 3. Noncompliance material to the financial statements noted?  | No         |

**Federal Awards**

- |  |               |
|--|---------------|
| 1. Internal control over major programs:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified?   | None Reported |
| 2. Type of auditor's report issued on compliance for major programs:                                   | Unmodified    |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | No            |

4. Identification of major programs:

CFDA Number  
20.205

Name of Federal Program or Cluster  
United States Department  
of Transportation  
Highway Planning and  
Construction Cluster

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee?                                 | No        |

# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

### Section II - Financial Statement Findings

#### **2022-001 Journal Entries Detected During the Audit**

Auditing standards require the auditors to include an internal control recommendation when there are prior period adjustments and material audit adjustments.

CVAG recorded prior period adjustments in the Transportation Uniform Mitigation Fee (TUMF) and Measure A Funds as a result of receiving invoices for expenditures incurred during the prior year. In addition, there were three prior period adjustment recorded to the government wide financial statements. The entries were to recognize revenue received during the year that was not received in the prior year availability period, record a capital asset for the cost of easements acquired in the prior year, and record expenditures previously noted for the TUMF and Measure A funds.

As a result of audit procedures, there were two material audit adjustments. The adjustments were to correct the fair market value of the LAIF investment account and corrections to unavailable revenues and revenues.

Lastly, there were a significant number of year-end journal entries posted to the trial balance by CVAG after it was provided for the audit.

#### Recommendation

We recommend CVAG establish procedures to, whenever possible, identify adjustments in the reporting period in which the related transactions occurred. It is recognized this is not always possible and on occasion CVAG accounting procedures will properly identify adjustment in subsequent periods. In addition, we recommend CVAG record all year-end adjusting entries prior to providing the trial balance for the audit.

#### Management Response

Management recognizes that it is not always possible to identify adjustments in the reporting period in which the related transactions occurred and that on occasion CVAG accounting procedures will properly identify adjustment in subsequent periods. Management also recognizes that the lack of timely billing of member agencies and related organizations to CVAG may cause for material audit adjustments unknown to CVAG at the time of financial statement closing process. Management further recognizes that while it does not control how other agencies perform their billing, there are other steps that CVAG can take to ensure expenditures and revenues are recorded in the proper period. Management has already begun to implement such procedures related to accounts payable and other processes by notifying member agencies and vendors to provide invoices in a timely manner for closing of accounts payable and making accounting estimates when appropriate. In addition, Management has updated internal processes to ensure that revenues are tracked and matched to expenditures and accrued accordingly. Management is currently evaluating procurement of a new Enterprise Resource Planning system that will help address these items in the future.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs for the year ended June 30, 2022.

**Section IV – Summary of Prior Audit Findings and Current Status**

There was a significant deficiency reported in the prior year Government Auditing Standards Independent Auditor’s Report. The status of that finding is as follows:

**2021-001 Journal Entries Detected During the Audit**

Auditing standards require the auditors to include an internal control recommendation when there are prior period adjustments and material audit adjustments. During our audit, there were two material journal entries detected as a result of audit procedures. There was one prior period adjustment recorded by CVAG.

The journal entries detected as a result of audit procedures were to record accounts payable and the related expenses in the TUMF Fund for \$260,000 and the Signal Sync Fund for \$119,000 and to record Due from Other Governments and Unavailable Revenue for \$119,000 in the Signal Sync Fund.

**Status**

During the fiscal year ending June 30, 2022, there were prior period adjustments and material audit adjustments noted, and as such, this finding is not considered resolved. The finding will be repeated as Finding 2022-001.