

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
SAN DIEGO, CALIFORNIA**

**SINGLE AUDIT REPORT ON EXPENDITURES
OF FEDERAL AWARDS**

Year ended June 30, 2025

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SINGLE AUDIT REPORT ON EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2025

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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*

Honorable Chair and Members of the Board of Directors
San Diego Association of Governments
San Diego, California

Independent Auditor's Report

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements, and have issued our report thereon dated March 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SANDAG'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 SANDAG's internal control. Accordingly, we do not express an opinion on the effectiveness of SANDAG's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the Schedule of Findings and Questioned Costs as item 2025-001 to be a material weakness.

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. We consider the deficiencies described in the Schedule of Findings and Questioned Costs as item 2025-002 and 2025-003 to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SANDAG'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*.

SANDAG's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on SANDAG's response to the finding identified in our audit and described above. SANDAG'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 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 blue ink that reads "Davis Fan CP".

Irvine, California
March 23, 2026

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 Auditor's Report

Honorable Chair and Members of the Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the San Diego Association of Governments (SANDAG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SANDAG's major federal programs for the year ended June 30, 2025. The SANDAG'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, SANDAG 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, 2025.

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 SANDAG 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 SANDAG'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 SANDAG'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 SANDAG'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 SANDAG'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 SANDAG'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 SANDAG'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 SANDAG'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.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of SANDAG as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements. We issued our report thereon, dated March 23, 2026, 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.

Davis Fan LLP

Irvine, California
March 23, 2026

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2025

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Passed Through to Subrecipients
Department of Transportation				
Federal Highway Administration				
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	74A0817	\$ 5,393,644	\$ 124,200
Highway Planning and Construction	20.205	STPL-6066(162)	610,777	259,312
Highway Planning and Construction	20.205	STPL-6066(190)	38,396	-
Highway Planning and Construction	20.205	STPL-6066(198)	8,994	-
Highway Planning and Construction	20.205	CMLG-6066(180)	12,020,688	6,580,158
Highway Planning and Construction	20.205	ATPL-6066(129)	3,645,895	-
Highway Planning and Construction	20.205	ATPL-6066(130)	9,443,155	-
Highway Planning and Construction	20.205	ATPL-6066(137)	8,633,187	-
Highway Planning and Construction	20.205	ATPL-6066(140)	5,557,784	-
Highway Planning and Construction	20.205	RSTPL-6066(158)	265,737	-
Highway Planning and Construction	20.205	RSTPL-6066(163)	42,555	-
Highway Planning and Construction	20.205	STPBIP-6066(170)	28,716,931	-
Highway Planning and Construction	20.205	STPL-6066(201)	269,615	-
Highway Planning and Construction	20.205	STPL-6066(205)	79,806	-
Highway Planning and Construction	20.205	STPL-6066(206)	62,443	-
Highway Planning and Construction	20.205	STPL-6066(210)	63,288	-
Highway Planning and Construction	20.205	STPL-6066(211)	883,011	-
Highway Planning and Construction	20.205	STPL-6066(212)	13,516	-
Highway Planning and Construction	20.205	PIO #108	11,101	-
Highway Planning and Construction	20.205	PIO #124	1,545,888	-
Highway Planning and Construction	20.205	ATPL-6066(213)	53,469	-
Highway Planning and Construction	20.205	STPL-6066(215)	<u>911,184</u>	<u>-</u>
Total Highway Planning and Construction			78,271,064	6,963,670
Direct Programs:				
Highway Research and Development Program	20.200	N/A	1,165,818	-
Safe Streets and Roads for All	20.939	N/A	890,047	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	N/A	235,778	-
Reconnecting Communities Pilot (RCP) Discretionary Grant Program	20.940	N/A	64,382	-
Motor Carrier Safety Administration				
Direct Programs:				
Border Enforcement Grants	20.233	N/A	135,185	-
Federal Railroad Administration				
Direct Programs:				
Federal-State Partnership for Intercity Passenger Rail	20.326	N/A	7,654,053	-
Federal Transit Administration				
Passed through California Department of Transportation:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A0817	2,531,118	-
Direct Programs:				
Federal Transit Cluster:				
Federal Transit - Capital Investment Grants	20.500	N/A	2,183,702	9,871
Federal Transit - Formula Grants	20.507	N/A	<u>22,417,307</u>	<u>-</u>
Total Federal Transit Cluster			24,601,009	9,871
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	3,716,381	1,602,798
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	<u>2,768</u>	<u>2,768</u>
Total Transit Services Programs Cluster			3,719,149	1,605,566
Community Project Funding Congressionally Directed Spending	20.534	N/A	<u>753,494</u>	<u>-</u>
Total Department of Transportation			120,021,097	8,579,107

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Continued

Year ended June 30, 2025

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Passed Through to Subrecipients
Department of Justice				
Passed through North County Lifeline:				
Services for Trafficking Victims	16.320	15POVC-22-GG-03747-HT	64,449	-
Total Services for Trafficking Victims			<u>64,449</u>	<u>-</u>
Direct Programs:				
Project Safe Neighborhoods (PSN)	16.609	15PBJA21GG03006GUNP	1,290,585	1,186,964
Edward Byrne Memorial Assistance Grant Program (JAG)	16.738	15PBJA21GG04378SMTP	90,007	12,583
Total Direct Programs			<u>1,380,592</u>	<u>1,199,547</u>
Total Department of Justice			1,445,041	1,199,547
U.S. Environmental Protection Agency				
Direct Programs:				
Climate Pollution Reduction Grants	66.046	98T73501	338,037	18,102
Total U.S. Environmental Protection Agency			338,037	18,102
Total Federal Expenditures			<u>\$ 121,804,175</u>	<u>\$ 9,796,756</u>

SAN DIEGO ASSOCIATION OF GOVERNMENTS

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

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

a) Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of SANDAG under federal government programs for the year ended June 30, 2025. 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 the operations of SANDAG, it is not intended to and does not present the financial position, changes in net position or cash flows of SANDAG.

SANDAG did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

b) 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.

SANDAG utilizes local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, SANDAG reimburses local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred before a federal grant is executed are included on the Schedule in the year the grant was executed.

c) Transportation Infrastructure Finance and Innovation Act (TIFIA) Program Loan

On June 27, 2017, the Commission entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement with the United States Department of Transportation to finance the Commission's continued implementation of the TransNet program for up to \$537,484,439 of costs to complete the Mid-Coast Corridor Transit Project. Under terms of the agreement, the Commission will pay an interest rate of 2.72 percent. The Commission's plan was to issue short-term financing during the period of project construction and use the TIFIA loan proceeds to repay the short-term borrowing.

On January 14, 2021, the Commission renegotiated the terms of the loan with the U.S. Department of Transportation to reduce the annual interest rate from 2.72 percent to 1.75 percent.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

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

On September 15, 2022, the Commission disbursed \$537,484,439 of loan proceeds to repay the 2021 Series A short-term notes. As of June 30, 2025, the outstanding amount due on the TIFIA Loan including accrued interest was \$561,831,833.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

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? | 2025-001 |
| b. Significant deficiency(ies) identified? | 2025-002
2025-003 |
| 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? | No |
| 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:

<u>Assistance Listing</u>	<u>Name of Federal Programs or Clusters</u>
20.326	Federal-State Partnership for Intercity Passenger Rail
20.205	Highway Planning and Construction
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$3,000,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

Section II - Financial Statement Findings

(2025-001) Prior Period Restatements and Material Adjustments Detected During the Audit

Condition

During our audit, we identified material and immaterial errors in the accounting records that required correcting and adjusting journal entries. The material entries were as follows:

- Correcting entries related to the new West Office Lease including the removal of the prior office lease and correcting prepaid expenses.
- To correct construction in progress for the prior period related to a project with NCTD that should have been expensed by SANDAG.
- To reverse unearned revenues and receivables related to Caltrans projects as the funds had not yet been received as of June 30, 2025.
- To correct revenues related to fiscal year 25/26 from Caltrans that were incorrectly accrued at June 30, 2025.
- To accrue additional expenses for expenses incurred prior to June 30, 2025 that were paid after the fiscal year end.

Criteria

Government Auditing Standards requires auditors to report material audit adjustments as evidence of internal control deficiencies when those adjustments indicate controls were not operating effectively to prevent or detect misstatements.

Cause

These errors indicate that year-end closing procedures did not sufficiently detect misstatements prior to audit.

Potential Effect

We recommend SANDAG establish procedures to, whenever possible, identify adjustments in the reporting period in which the related transactions occurred. The financial statements could be materially misstated if year-end adjustments are not recorded, and amounts are not reconciled to the subsidiary records.

Recommendation

Auditing standards indicate that material adjustments identified through the audit process are evidence of a weakness in SANDAG's internal control structure. Efforts should be made to enhance SANDAG's year-end closing procedures to include areas that resulted in audit adjustments.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

Section II - Financial Statement Findings

Management's Comments Regarding Corrective Actions Planned

SANDAG concurs with the auditor's recommendation to strengthen internal controls related to year-end closing procedures. To that end, SANDAG will develop an internal controls framework to provide a more comprehensive enhancement of its accounting and finance processes. The framework will identify risks, controls, mitigations, residual risks, and responsible parties for various aspects of financial operations, including accruals, capital assets, and billing and revenue recognition. The framework will be integrated into SANDAG operations and ongoing internal control monitoring and SANDAG will identify training opportunities to enhance knowledge of capital asset and lease reporting.

(2025 -002) Timeliness of Financial Reporting and Post-Start Adjusting Entries

Condition

The financial statements and several supporting schedules were provided later than planned. In addition, multiple adjusting journal entries needed to correct account balances were recorded after audit fieldwork began.

Criteria

Under Generally Accepted Government Auditing Standards (GAGAS) and the audit engagement terms, management is responsible for preparing timely and accurate financial statements and ensuring all supporting documentation is ready at the start of the audit. Establishing a clear and achievable timeline helps both management and the audit team complete the process efficiently and meet reporting deadlines.

Cause

These delays appear to stem from a combination of factors, including:

- The need for additional time to finalize certain year-end reconciliations.
- Competing priorities within the finance team during close.
- Resource constraints affecting the ability to complete reviews prior to the start of audit work.

Potential Effect

The timing of information and post-start AJEs extended audit procedures, required updates to completed work, and reduced overall audit efficiency. Management collaborated with the audit team to resolve outstanding items.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

Section II - Financial Statement Findings

Recommendation

We recommend enhancing the year-end close process by finalizing reconciliations earlier, strengthening review procedures, and establishing a shared reporting calendar with clear internal milestones to support timely audit readiness.

Management's Comments Regarding Corrective Actions Planned

SANDAG concurs with the auditor's recommendation and will develop more robust procedures outlining the review of monthly/quarterly accounting reconciliations. These procedures will include providing completion and timeliness metrics to help finalize reconciliations during the fiscal year. SANDAG will review its existing year-end reporting calendar tool for completeness; make updates to timeliness that will identify clear internal milestones and support timely audit readiness. SANDAG is also planning to prepare more of the capital asset work during the year and start the upcoming GASB implementations earlier. Competing priorities and resource constraints has been a cause of reporting delays. In FY 2026, the Accounting & Finance Department prepared a detailed plan of specific objectives with deadlines. Progress towards these objectives is tracked on a quarterly basis. This has also been helpful in re-prioritizing workload as new needs are identified.

(2025 -003) Toll Back Office System Limitations

Condition

During our audit, we became aware of immaterial differences between the Toll Back Office System (ETAN) reports and SANDAG's Enterprise Resource Planning (ERP) software balances. Because ETAN captures the source data that is used to record accounting transactions in the ERP system, our expectation is that there are no variances. We noted the immaterial differences in toll penalty receivables, customer account balances, and revenue transactions. SANDAG's staff is aware of the differences but have not yet identified the source of the differences.

Additionally, the historical collections on toll penalties has decreased since the implementation of ETAN. The decrease is partially due to a phase of the ETAN system that was not implemented that would allow SANDAG to inform the CA DMV of the penalty and allow the DMV to require the penalty to be paid prior to renewing annual vehicle registration. SANDAG also does not currently have a collection system in place to track DMV billings and receipts, should the DMV begin this process.

Criteria

Management is responsible for preparing accurate financial statements, which includes ensuring all subsidiary systems posting to the ERP system are operating effectively and recording transactions accurately.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

Section II - Financial Statement Findings

Cause

The issues identified during the audit are largely due to implementation issues with ETAN that are not yet resolved. SANDAG management has developed system work arounds and are monitoring the system results on a regular basis to ensure errors created by the ETAN system are identified and corrected in the ERP system.

Potential Effect

The effect of immaterial differences between ETAN system reports and the ERP system result in potential immaterial errors in the ERP system and financial statements. The effect of limitations on collecting toll penalties has the effect of lost revenue for SANDAG.

Recommendation

We recommend SANDAG continue to research the differences between the ETAN and ERP systems to identify and correct errors. Additionally, SANDAG management should evaluate the Toll Back Office System to determine how to maximize toll penalty collections.

Management's Comments Regarding Corrective Actions Planned

SANDAG agrees that there are immaterial differences within the Back Office system between the customer database and financial reporting. SANDAG adjusts the financial reporting based on the customer database when reporting. Progress has been made to identify the source of the differences, but a few immaterial differences remain.

SANDAG is working toward changing back-office systems. The Board of Directors approved a cooperative agreement with Transportation Corridor Agencies (TCA) for back-office system tolling services on February 27, 2026. The transition to TCA is expected to take 12-14 months. The TCA system is already set up to process Department of Motor Vehicles (DMV) holds for unpaid violations.

During the transition to TCA, SANDAG will continue to utilize the ETAN system. The extended contract with ETAN dedicates more resources to financial reports and allows for system fixes. SANDAG and ETAN will continue to monitor for differences between the customer system reports and ETAN financial reports on a monthly basis.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings noted during the year under audit.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

STATUS OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2025

Section IV - Status of Prior Audit Findings and Current Status

(2024-001) Adjustments Detected During the Audit

The finding has been repeated as item 2025-001.

(2024-002) Reporting Requirements for Federal Awards

The findings have been resolved by management as of June 30, 2025.