

BOARD MEETING DATE: November 3, 2017

AGENDA NO. 21

REPORT: Audit Reports of AB 2766 Fee Revenue Recipients for Fiscal Years Ending June 30, 2014 and 2015

SYNOPSIS: Health and Safety Code 44244.1 requires any agency that receives fee revenues subvended from the Department of Motor Vehicles to be audited once every two years. This audit of SCAQMD's share, MSRC's share, and local governments' share of such subvended funds, performed by independent Certified Public Accountants, has been completed.

COMMITTEE: Administrative, October 13, 2017; Recommended for Approval

RECOMMENDED ACTION:
Receive and file.

Wayne Nastri
Executive Officer

MBO:SJ:JK:av

Background

AB 2766 was chaptered into law as Health and Safety Code Sections 44220-44247, which were enacted to authorize air pollution control districts to impose fees in order to implement programs that reduce air pollution from motor vehicles. These fees are to be expended specifically for the purpose of mobile source air pollution reduction measures pursuant to the California Clean Air Act of 1988 or the SCAQMD's AQMP pursuant to Article 5 of Chapter 5.5 of Part 3 of the Health and Safety Code.

The fee revenue is collected by the Department of Motor Vehicles (\$4.00 per vehicle registration) and subvended to the SCAQMD for distribution as follows: thirty percent (\$1.20) goes to support SCAQMD-approved programs for the reduction of emissions from mobile sources; forty percent (\$1.60) is placed in the Air Quality Improvement Trust Fund for quarterly disbursement to local governments; and thirty percent (\$1.20) is placed in the Mobile Source Air Pollution Reduction Trust Fund for projects awarded by the Mobile Source Air Pollution Reduction Review Committee (MSRC) under a work program approved by the SCAQMD's Board.

Audit Summary

SCAQMD's Use of AB 2766 Fee Revenues – Segment 1

The audit of the SCAQMD's use of the motor vehicle registration revenues resulted in no findings. The audit report is included in Attachment I. The cost of auditing the SCAQMD's use of the AB 2766 revenues was \$4,560, paid from the SCAQMD's portion of the fee revenues.

Local Governments' Use of AB 2766 Fee Revenues – Segment 2

The audit of local governments' use of AB 2766 funds resulted in 42 findings from 28 agencies, out of 162 recipients. All of the findings will be resolved in accordance with AB 2766 program guidelines. A summary of the audit findings is included in Attachment II, along with the audit reports in Attachments III and IV.

The total cost to audit the local government recipients was \$89,210. The cost of the audit is allocated and paid from the local governments' portion of the fee revenues in accordance with AB 2766 program guidelines.

MSRC's Use of AB 2766 Fee Revenues – Segment 3

The audit of the MSRC fund and of projects from the MSRC Work Program resulted in no findings. The audit reports are included in Attachments V and VI. The MSRC reviewed the summary audit reports at its October 19, 2017 meeting. The cost of auditing the MSRC and their use of program revenues was \$7,000 and will be deducted from the fee revenues subvended to the MSRC.

Attachments

- I. SCAQMD's Use of AB 2766 Fee Revenues – Segment 1
- II. Summary of Audit Findings for Local Governments and Council of Governments
- III. Local Governments' Use of AB 2766 Fee Revenues Summary of Audit Reports - Segment 2
- IV. Local Governments' Use of AB 2766 Fee Revenues Summary of Audit Reports - Segment 2, Subgroup 1
- V. MSRC's Use of AB 2766 Fee Revenues - Segment 3
- VI. MSRC Projects Audit – Segment 3, Projects

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

***AIR QUALITY IMPROVEMENT FUND
(SEGMENT 1)***

***INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES***

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014





SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

The Governing Board of
The South Coast Air Quality Management District

We have performed the procedures enumerated below, which were agreed to by the management of the South Coast Air Quality Management District (SCAQMD), solely to assist you in determining whether automobile registration fee revenues (AB 2766 funds) received by the SCAQMD during fiscal years 2013-14 and 2014-15 were spent on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). The SCAQMD's management is responsible for the use of AB 2766 funds in accordance with the cited criteria. The SCAQMD's management is responsible for use of AB 2766 funds in accordance with the cited criteria. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

Our procedures and results are as follows.

1. We obtained an understanding of how the SCAQMD accounts for AB 2766 funds – Segment 1, including whether the AB 2766 funds are maintained in a separate fund or if there is a separate accounting of the AB 2766 funds maintained by another means.

Result

We noted that the AB 2766 funds - Segment 1 (District Funds) are recorded under the General Fund of the SCAQMD.



2. We conducted interviews and tested significant controls to identify significant deficiencies in the design or operation of the SCAQMD's internal control procedures over the receipt and use of AB 2766 funds.

Result

We noted no exceptions in performing this procedure.

3. We obtained the California Department of Motor Vehicles (DMV) fee distribution record for AB 2766 revenues and agree them to the SCAQMD's AB 2766 revenues recorded in the general ledger.

Result

We noted no exceptions to recorded revenues.

4. We recalculated the SCAQMD's allocation of AB 2766 revenue fees to recipients to verify that the allocation was in accordance with CHSC Section 44243, after deducting administrative costs pursuant to Section 44229, and any audit costs pursuant to Section 44244.1(a).

Result

We noted no exceptions on the allocation of AB 2766 revenue fees to the recipients.

5. We conducted interviews in order to obtain an understanding of how the SCAQMD allocates interest earned and determined the reasonableness of the interest allocation and that interest was used for the same purposes for which AB 2766 funds were allocated to the SCAQMD.

Result

We noted no exceptions to interest allocation earned or use of interest earned.



6. We verified that the SCAQMD's governing board adopted a resolution to document the intent and use of AB 2766 funds exclusively for the reduction of air pollution from motor vehicles in accordance with the California Clean Air Act of 1988.

Result

We noted no exceptions in performing this procedure.

7. We obtained the SCAQMD's cost allocation schedule. We conducted interviews and recalculated allocations on a test basis to determine the reasonableness and mathematical accuracy of the cost allocation method.

Result

We noted no exceptions on the cost allocation schedule.

8. We tested AB 2766 direct and indirect non-labor project expenditures for each year to determine:
 - a) allowability, reasonableness, adequacy of supporting documentation, proper approval, clearly identified the project, and were incurred during the fiscal year;
 - b) that the funds were spent in accordance with CHSC Section 44220(b), which requires that AB 2766 fund expenditures were incurred solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement and technical studies necessary for implementation of the California Clean Air Act of 1988; and
 - c) in accordance with CHSC Section 44235, the SCAQMD did not use AB 2766 fees for establishing or maintaining the district as a direct provider of the car pool, van pool, or other ridesharing or transit services.

Result

We noted no exceptions in performing this procedure.

9. We tested AB 2766 direct payroll expenditures, reviewed related payroll registers and employee records to verify hours worked, mathematical accuracy, and salary rates.

Result

We noted no exceptions to the AB 2766 direct payroll expenditures.

10. We analyzed AB 2766 administrative expenditures to verify, in accordance with CHSC Section 44233, that the SCAQMD did not use more than 5% of the AB 2766 fees distributed for administrative expenditures.

Result

We noted no exceptions in performing this procedure.

11. We obtained the SCAQMD expenditures to verify, in accordance with CHSC Section 44244.1(d), that the SCAQMD expended AB 2766 fees within one year of the program or project completion date.

Result

We noted no exceptions in performing this procedure.

12. We obtained the SCAQMD reports to verify that the SCAQMD submitted a report to the State Board on the use of the fees and results of the programs funded, and to verify that the SCAQMD's control measures were in compliance with Title 42 of the United States Code control measures.

Result

We noted no exceptions in performing this procedure.



We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on the SCAQMD's compliance with the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the governing board and management of the SCAQMD, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
July 28, 2017

Summary of Audit Findings for Local Governments and Council of Governments

Findings Description	Fiscal Year(s)	City/County/COG	Status
AB 2766 Funds Not Accounted for Separately	FY 2013-14 & 2014-15	Western Riverside Council of Governments	Resolved-The COG is implementing a new accounting system to allow them to have a separate fund.
Administrative Costs in Excess of 5% Cap	FY 2013-14 & 2014-15	Compton	Resolved-The City stated it would replace the funds.
Documentation for Administrative Expenditures Allocation	FY 2013-14 & 2014-15	Beaumont	Resolved-The City has replaced the funds.
Documentation for Administrative Expenditures Allocation	FY 2014-15	Duarte	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Documentation for Administrative Expenditures Allocation	FY 2014-15	Pico Rivera	Resolved-The City has replaced the funds.
Documentation for Administrative Expenditures Allocation	FY 2014-15	San Dimas	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Expenditures Without Supporting Documentation	FY 2013-14 & 2014-15	City of San Bernardino	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Expenditures Without Supporting Documentation	FY 2013-14 & 2014-15	City of San Bernardino	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Expenditures Without Supporting Documentation	FY 2013-14 & 2014-15	Compton	The City stated it would replace the funds.
Expenditures Without Supporting Documentation	FY 2013-14 & 2014-15	Long Beach	Resolved-The City has replaced the funds.
Interest Income on Accumulate AB 2766 Funds	FY 2013-14 & 2014-15	Compton	The City stated it would replace the funds.
Interest Income on Accumulate AB 2766 Funds	FY 2014-15	Laguna Beach	Resolved-The City has replaced the funds.
Lack of Controls Over Financial Reporting	FY 2013-14 & 2014-15	Beaumont	Resolved-The City responded that it will implement corrective actions.
Lack of Controls Over Financial Reporting	FY 2013-14 & 2014-15	South El Monte	Resolved-The City responded that it will implement corrective actions.
Lack of Formal Capital Assets Policies	FY 2013-14 & 2014-15	Beaumont	Resolved-The City responded that it will implement corrective actions.
Research & Development Projects in Excess of 10% Cap	FY 2013-14	Aliso Viejo	Resolved-The City has replaced the funds.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	Beaumont	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	Bell Gardens	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	Canyon Lake	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	Compton	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	Desert Hot Springs	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	El Segundo	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	Grand Terrace	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	Hemet	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	Hidden Hills	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	Inglewood	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	Maywood	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	San Juan Capistrano	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2013-14 & 2014-15	South El Monte	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2014-15	Temple City	Resolved-City was Audited.
Unallowable Expenditures	FY 2013-14 & 2014-15	Alhambra	Resolved-The City has replaced the funds.
Unallowable Expenditures	FY 2013-14 & 2014-15	City of San Bernardino	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2013-14 & 2014-15	City of San Bernardino	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2013-14 & 2014-15	Compton	The City stated it would replace the funds.
Unallowable Expenditures	FY 2014-15	Duarte	Resolved-City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2013-14 & 2014-15	Glendale	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2013-14 & 2014-15	Maywood	The City has stated that it reimbursed the funds.
Unallowable Expenditures	FY 2013-14 & 2014-15	Menifee	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2013-14 & 2014-15	Murrieta	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2013-14	Seal Beach	Resolved-The City has replaced the funds.
Unallowable Expenditures	FY 2013-14 & 2014-15	South Gate	Resolved-The City has replaced the funds.
Unallowable Expenditures	FY 2013-14 & 2014-15	South Gate	Resolved-The City has replaced the funds.
Unavailable Bank Reconciliations	FY 2013-14 & 2014-15	Compton	Resolved- The City responded that it will implement corrective actions

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
SUMMARY REPORT ON
AB 2766 FEE REVENUES
FOR LOCAL GOVERNMENT RECIPIENTS
UNDER HEALTH AND SAFETY CODE SECTION 44243(b)
(Segment 2)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

***AB 2766 FEE REVENUES FOR LOCAL GOVERNMENT RECIPIENTS
UNDER HEALTH AND SAFETY CODE SECTION 44243(b)
(Segment 2)***

TABLE OF CONTENTS

	<u>Page</u>
AB 2766 Air Quality Improvement Fund Summary of Segment 2 Reports for the Years Ended June 30, 2015 and 2014	3
Attachment A - Summary of Findings	5
Attachment B - List of Government Recipients Audited	14



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

AB 2766 Air Quality Improvement Fund Summary of Segment 2 Reports

The Governing Board of
The South Coast Air Quality Management District

This report provides a summary of the findings and questioned costs contained in the audit reports and reports on applying agreed-upon procedures completed for Segment 2 for the Biennial Audit of Fee Revenues under AB 2766 for fiscal years ended June 30, 2015 and 2014. See Attachment B for a list of the reports included in this summary.

For the purpose of determining whether motor vehicle registration fees (AB 2766 funds) subvented to the South Coast Air Quality Management District (SCAQMD) were expended for air pollution measures pursuant to the Clean Air Act Amendments of 1990, the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC), the SCAQMD requested that we perform audits or agreed-upon procedures reviews for six subgroups of local governments receiving Segment 2 funds. Segment 2 funds are the 40% of motor vehicle fee revenues subvented to the SCAQMD that are distributed to local governments on a quarterly basis. The SCAQMD placed local governments into subgroups based on the amount of Segment 2 funds received and whether the entity had provided Air Quality Improvement Fund audited financial statements and progress reports to the SCAQMD. Local governments in Segment 2 include cities, counties and consortiums of local governments. These consortiums are legal entities created through joint power agreements entered into by cities and counties in a common geographical area. Local governments are permitted to pool their resources for implementing the requirements for the use of AB 2766 funds and to undertake regional projects to reduce air pollution from motor vehicles.

For local governments in Subgroup 1, we reviewed audit reports prepared by other auditors and summarized audit findings included in the reports. The Subgroup 1 summary was provided in a separate report dated August 25, 2017.



To this report, we have summarized audit findings and questioned costs for local government entities in Subgroups 2, 3, 4, 5 and 6 into eleven categories, as described on the following:

CATEGORY	DESCRIPTION OF FINDING
1	Unallowable Expenditures
2	Expenditures Without Supporting Documentation
3	Administrative Costs in Excess of 5% Cap
4	Documentation for Administrative Expenditures Allocation
5	Research and Development Projects in Excess of 10% Cap
6	Interest Income on Accumulate AB 2766 Funds
7	AB 2766 Funds Not Accounted for Separately
8	Lack of Controls Over Financial Reporting
9	Lack of Formal Capital Assets Policies
10	Unavailable Bank Reconciliations
11	Submission of Annual Audited Financial Statements

The audit findings are described in the Summary of Findings in Attachment A.

This report is intended solely for the information and use of the governing board and management of the SCAQMD, and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
August 25, 2017

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014

1. Unallowable Expenditures

California Health and Safety Code Section 44243 require that AB 2766 funds be used for programs to reduce air pollution from mobile sources. We noted the following cities charged unallowable expenditures to AB 2766 funds.

Fiscal Year 2015	Description	Amount
<u>Los Angeles County</u>		
City of Alhambra	An invoice in the amount of \$48 were inadvertently recorded as a reduction to the motor vehicle fee due to a coding error.	48.00
City of Compton	Duplicated vendor invoice	4,163.50
City of Duarte	Senior center taxi cab services	3,730.00
City of South Gate	Payroll direct deposit bank fees	2,648.00
<u>Riverside County</u>		
City of Menifee	Cost of fuel for hybrid vehicles fleet	4,809.00
City of Murrieta	Unrelated payroll expenditures	2,372.00
<u>San Bernardino County</u>		
City of San Bernardino	Gift cards purchased as an employee incentive for completing the annual rideshare survey	3,950.00
City of San Bernardino	CalPERS settlements including payment of certain arrearages and additional administrative costs	4,339.00

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)

1. Unallowable Expenditures (Continued)

<u>Fiscal Year 2014</u>	<u>Description</u>	<u>Amount</u>
<u>Los Angeles County</u>		
City of Compton	Duplicated vendor invoice	3,899.75
City of Glendale	Distributed 336 reusable zipper tote bags to employees that do not rideshare and 20 bags were unaccounted for	801.00
City of South Gate	Payroll direct deposit bank fees	2,452.00
City of South Gate	Annual membership to Eco-Rapid Transit	14,000.00
City of Maywood	City's share in scientific studies to develop site specific objectives applicable to the Los Angeles River and Tributaries Metals TMDL	1,412.00
<u>Orange County</u>		
City of Seal Beach	Charged the dial-a-ride portion of an invoice	560.32
<u>Riverside County</u>		
City of Menifee	Cost of fuel for hybrid vehicles fleet	9,286.00
<u>San Bernardino County</u>		
City of San Bernardino	CalPERS settlements including payment of certain arrearages and additional administrative costs	1,278.00

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)

2. Expenditures Without Supporting Documentation

According to Chapter 17 of the SCAQMD Resource Guide, “Expenditures on equipment, materials, and subcontractor services must be supported by a warrant and other source document clearly showing that the payment was for an expenditure charged against the fund and included in the annual program report to the AQMD. It is also important that the source document (invoice, requisition, equipment rental charge, and other pertinent data) clearly identify the project to establish a readily discernible audit trail.” Also, according to Chapter 17 of the SCAQMD Resource Guide, “Direct labor must be documented on timesheets. If timesheets do not permit the level of detail required to document direct labor hours to be charged to AB 2766 projects specifically, then a detailed log of time spent on projects, the activities performed and the outcome or product generated must be maintained. Direct labor costs must identify the project to establish a clear audit trail. Allocating a fixed or budgeted amount of staff time and associated salary expense each pay period will not meet the requirements for the audit.” The following cities/consortium did not provide supporting documentation to validate the expenditures charged to the Air Quality Improvement Fund.

Fiscal Year 2015	Description	Amount
<u>Los Angeles County</u>		
City of Compton	Timesheets or time study for direct labor	\$ 2,347.00
<u>San Bernardino County</u>		
City of San Bernardino	Timesheets or time study for direct labor	28,988.00

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

**SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)**

2. Expenditures Without Supporting Documentation (Continued)

<u>Fiscal Year 2014</u>	<u>Description</u>	<u>Amount</u>
<u>Los Angeles County</u>		
City of Compton	Timesheets or time study for direct labor	\$ 15,777.00
City of Long Beach	Support for allocated general liability insurance premium	29,210.00
<u>San Bernardino County</u>		
City of San Bernardino	Timesheets or time study for direct labor	49,800.00
City of San Bernardino	Charged expenditures based on budgeted amount	19,392.00

3. Administrative Costs in Excess of 5% Cap

California Health and Safety Code Section 44233 require that the City may not use more than 5% of the AB 2766 fees distributed for administrative expenditures. We noted that the following cities did not comply with this requirement and exceeded the 5% limit.

<u>Fiscal Year 2015</u>	<u>Amount in Excess of CAP</u>
<u>Los Angeles County</u>	
City of Compton	\$ 10,915.00

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)

4. Documentation for Administrative Expenditures Allocation

According to Chapter 16 of the SCAQMD Resource Guide, “A reasonable definition of administrative costs would be those direct and indirect costs necessary and attributable to accounting, administrative, providing legal assistance and managing the entire fund as opposed to those costs directly attributable to individual project implementation. Staff hours relating to administrative costs must be readily identifiable and preferably documented separately from project costs. Documentation of the hourly charges may be provided either in the form of time sheets or any other generally accepted mechanism to allocate and document staff time.” We noted that the following cities did not comply with the documentation requirement for administrative expenditures allocation.

<u>Fiscal Year 2015</u>	<u>Description</u>	<u>Amount</u>
<u>Los Angeles County</u>		
City of Duarte	Administrative expenditures related to the senior center taxi cab services	\$ 1,341.00
City of Pico Rivera	Unable to provide supporting documentation for the administrative expenditures	3,962.00
City of San Dimas	Unable to provide supporting documentation for the administrative expenditures	2,140.00
<u>Fiscal Year 2014</u>	<u>Description</u>	<u>Amount</u>
<u>Riverside County</u>		
City of Beaumont	City’s overhead allocation plan was based on a time study performed in 1993 and was not available for our review	900.00

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)

5. Research and Development Projects in Excess of 10% Cap

Orange County

City of Aliso Viejo

According to Chapter 3 of the SCAQMD Resource Guide, “Funding of all research and development projects and related environmental impact reports shall not exceed 10% of the jurisdiction’s total subvention funds received during the fiscal year reporting cycle.” We noted that the City of Aliso Viejo charged \$39,847 for the fiscal year 2013-14 to the Air Quality Improvement Fund for preliminary engineering, design, and development of a pedestrian bridge project. The amount charged exceeded the 10% research and development cap ($\$61,329 \times 10\% = \$6,132.29$) by \$33,714.71.

6. Interest Income on Accumulate AB 2766 Funds

According to Chapter 15 of the SCAQMD Resource Guide, “Often local governments accumulate funds over an extended period for costly projects. Depending on the amount of annual AB 2766 receipts and the timeliness of project expenditures, cities/counties may have large cash balances in the AB 2766 Special Revenue Fund. Interest earned on these cash balances could amount to a significant sum of money. If AB 2766 fees are invested with cash balances from other general fund revenues, an equitable proration of interest earned on the total funds invested must be made to the AB 2766 Special Revenue Fund.” We noted that the following cities/consortium did not comply with this requirement and interest was not credited to the Air Quality Improvement Fund.

<u>Fiscal Year 2015</u>	<u>Amount</u>
<u>Los Angeles County</u>	
City of Compton	\$ 1,188.00
<u>Orange County</u>	
City of Laguna Beach	130.00

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

**SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)**

7. AB 2766 Funds Not Accounted for Separately

Western Riverside Council for Governments

California Health and Safety Code Section 44243 (b)(1)(C) requires local governments to account for and separately track AB 2766 funds within their accounting records. We noted Western Riverside Council for Governments (WRCOG) used AB 2766 funds to partly finance the expenditures of its Clean Cities Program (an outreach program to promote clean air quality). As such, disbursements of AB 2766 funds are included in the expenditures report of the Clean Cities program. However, the WRCOG's accounting system did not separately identify and track assets, liabilities, and fund balance of the AB 2766 funds for fiscal years 2015 and 2014.

8. Lack of Controls Over Financial Reporting

Los Angeles County

City of South El Monte

On May 25, 2017, the State Controller's Office (SCO) issued an Administrative and Internal Accounting Controls Review Report of the City of South El Monte for the period July 1, 2013 through June 30, 2015. The SCO review found weaknesses in the City's accounting and administrative control system and resulted in 10 findings and one observation of internal control deficiencies. The reported findings include in compliance with the City's purchasing procedures; incomplete and outdated administrative policies and procedures; bank reconciliations were not performed, reviewed, or approved in a timely manner; fail to exercise oversight over the City's financial and operational activities; fail to exercise adequate control over expenses charged to city-issued credit cards; lack of permanent staff to perform critical functions; lack of segregation of duties; not producing financial statements on a timely basis; incorrectly billed and received payments from another city; and fail to collect due from other city governments.

*SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND*

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)

8. Lack of Controls Over Financial Reporting (Continued)

Riverside County

City of Beaumont

Based on the internal controls report issued by an independent consulting firm hired by the City Council in June 2015, the internal controls of the City of Beaumont were found to be largely ineffective or nonexistent. In addition, an audit by the State Controller's Office resulted in a November 2015 report of 10 findings of internal control deficiencies that include 75 of 79 internal control elements as inadequate.

9. Lack of Formal Capital Assets Policies

Riverside County

City of Beaumont

The City of Beaumont was unable to provide us with a listing of the capital assets acquired using AB 2766 funds. In addition, according to the City's 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 dated March 28, 2017, the City appears to lack formal policies regarding capital assets.

10. Unavailable Bank Reconciliations

City of Compton

The City was unable to provide us with the bank reconciliations for fiscal years 2015 and 2014. As a result, we are unable to determine whether bank reconciliations were performed, reviewed, or approved in a timely manner.

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

SUMMARY OF FINDINGS
For the Years Ended June 30, 2015 and 2014
(Continued)

11. Submission of Annual Audited Financial Statements

The Audit Guidelines prepared by the SCAQMD describe the financial and program reporting requirements for local governments. The AB 2766 program legislation requires that each agency receiving motor vehicle registration fee revenues must submit an annual program progress report and annual audited financial statements of AB 2766 funds by the first Friday in February of each year. For fiscal years 2015 and 2014, the following cities did not submit its annual audited financial statements to the SCAQMD in a timely manner.

Fiscal Year 2015	Fiscal Year 2014
<u>Los Angeles County</u> City of Bell Garden City of Compton City of El Segundo City of Hidden Hills City of Inglewood City of Maywood City of South El Monte City of Temple City	<u>Los Angeles County</u> City of Bell Garden City of Compton City of Inglewood City of Maywood City of South El Monte
<u>Orange County</u> City of San Juan Capistrano	
<u>Riverside County</u> City of Beaumont City of Canyon Lake City of Desert Hot Springs City of Hemet	<u>Riverside County</u> City of Beaumont City of Hemet
<u>San Bernardino County</u> City of Grand Terrace	

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

**LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Years Ended June 30, 2015 and 2014**

	City	Type of Audit	Fiscal Year (s)
	Los Angeles County		
1	City of Agoura Hills	Agreed Upon Procedures	2015
2	City of Alhambra	Financial & Compliance	2015 & 2014
3	City of Bell Gardens	Financial & Compliance	2015 & 2014
4	City of Beverly Hills	Agreed Upon Procedures	2014
5	City of Calabasas	Agreed Upon Procedures	2015
6	City of Claremont	Agreed Upon Procedures	2015
7	City of Commerce	Agreed Upon Procedures	2015
8	City of Compton	Financial & Compliance	2015 & 2014
9	City of Covina	Agreed Upon Procedures	2014
10	City of Diamond Bar	Agreed Upon Procedures	2014
11	City of Duarte	Agreed Upon Procedures	2015
12	City of El Monte	Financial & Compliance	2015 & 2014
13	City of El Segundo	Financial & Compliance	2015
14	City of Glendale	Financial & Compliance	2015 & 2014
15	City of Hidden Hills	Financial & Compliance	2015
16	City of Inglewood	Financial & Compliance	2015 & 2014
17	City of Lakewood	Financial & Compliance	2015 & 2014
18	City of Long Beach	Financial & Compliance	2015 & 2014
19	City of Manhattan Beach	Agreed Upon Procedures	2015
20	City of Malibu	Agreed Upon Procedures	2014
21	City of Maywood	Financial & Compliance	2015 & 2014
22	City of Paramount	Agreed Upon Procedures	2014
23	City of Pico Rivera	Agreed Upon Procedures	2015
24	City of Rosemead	Agreed Upon Procedures	2014
25	City of San Dimas	Agreed Upon Procedures	2015
26	City of San Gabriel	Agreed Upon Procedures	2015
27	City of South El Monte	Financial & Compliance	2015 & 2014
28	City of South Gate	Financial & Compliance	2015 & 2014
29	City of Temple City	Financial & Compliance	2015
30	County of Los Angeles	Financial & Compliance	2015 & 2014

ATTACHMENT B

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Years Ended June 30, 2015 and 2014
(Continued)

	<u>City</u>	<u>Type of Audit</u>	<u>Fiscal Year (s)</u>
	Orange County		
31	City of Aliso Viejo	Agreed Upon Procedures	2014
32	City of Anaheim	Financial & Compliance	2015 & 2014
33	City of Brea	Agreed Upon Procedures	2015
34	City of Buena Park	Financial & Compliance	2015 & 2014
35	City of Laguna Beach	Agreed Upon Procedures	2015
36	City of Newport Beach	Financial & Compliance	2015 & 2014
37	City of Placentia	Agreed Upon Procedures	2015
38	City of San Clemente	Agreed Upon Procedures	2015
39	City of San Juan Capistrano	Financial & Compliance	2015
40	City of Santa Ana	Financial & Compliance	2015 & 2014
41	City of Seal Beach	Agreed Upon Procedures	2014
42	City of Yorba Linda	Agreed Upon Procedures	2014
43	County of Orange	Financial & Compliance	2015 & 2014
	Riverside County		
44	City of Beaumont	Financial & Compliance	2015 & 2014
45	City of Canyon Lake	Financial & Compliance	2015
46	City of Desert Hot Springs	Financial & Compliance	2015
47	City of Hemet	Financial & Compliance	2015 & 2014
48	City of Indio	Financial & Compliance	2015 & 2014
49	City of Jurupa Valley	Financial & Compliance	2015 & 2014
50	City of Menifee	Financial & Compliance	2015 & 2014
51	City of Moreno Valley	Financial & Compliance	2015 & 2014
52	City of Murrieta	Financial & Compliance	2015 & 2014
53	City of Palm Desert	Agreed Upon Procedures	2015
54	City of Temecula	Financial & Compliance	2015 & 2014
	San Bernardino County		
55	City of Chino	Financial & Compliance	2014
56	City of Colton	Agreed Upon Procedures	2015
57	City of Grand Terrace	Financial & Compliance	2015
58	City of Highland	Agreed Upon Procedures	2014
59	City of Rialto	Financial & Compliance	2015 & 2014
60	City of San Bernardino	Financial & Compliance	2015 & 2014
61	County of San Bernardino	Financial & Compliance	2015 & 2014

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND***

LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Years Ended June 30, 2015 and 2014
(Continued)

	<u>City</u>	<u>Type of Audit</u>	<u>Fiscal Year (s)</u>
	Consortium		
62	Coachella Valley Association of Governments	Financial & Compliance	2015 & 2014
63	Gateway Cities Council of Governments	Financial & Compliance	2015 & 2014
64	Western Riverside Council of Governments	Financial & Compliance	2015 & 2014

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

***AIR QUALITY IMPROVEMENT FUND
(SEGMENT 2 – SUBGROUP 1)***

***INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES***

FOR THE YEARS ENDED JUNE 30, 2015 and 2014





SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

The Governing Board of
The South Coast Air Quality Management District

We have performed the procedures enumerated below, which were agreed to by the management of the South Coast Air Quality Management District (SCAQMD), solely to assist you in summarizing instances of noncompliance and internal control deficiencies and material weaknesses reported in financial statement audit reports and internal control and compliance reports submitted to the SCAQMD by cities and counties that received automobile registration fee revenues (AB 2766 funds) from the SCAQMD in fiscal years 2013-14 and 2014-15. This report includes instances of noncompliance with respect to whether AB 2766 funds were spent on activities that reduce air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). This report also includes internal control deficiencies and material weaknesses identified in the reports on internal control.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested, nor any other purpose.

Our procedures and results are as follows:

We performed a summary review of audited financial statements, compliance reports and internal control reports pertaining to the AB 2766 funds, submitted to SCAQMD by the cities and counties that received more than \$100,000 of AB 2766 funds per year (large recipients) for fiscal years 2013-14 and 2014-15 (See Attachment A for list of municipalities). We identified any reporting of non-compliance, deficiencies in internal control and material weaknesses in internal controls, and summarized these instances.

NON-COMPLIANCE

No matters noted.





INTERNAL CONTROLS

Material Weaknesses in Internal Controls

1. Accounting Procedures – City of West Covina

For fiscal year 2014, the external auditor of the City of West Covina noted that the closing process was delayed because some important procedures, such as preparing and posting monthly journal entries, were not performed on time. The audit was originally scheduled to start in September 2014, however, obtaining a complete and accurate final general ledger was challenging, as was also the case for the production of supporting schedules for balances in the general ledger. The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analyzes, and other financial reports needed by the auditors. We were not able to start the audit until January 2015. In order to ensure that all accounting procedures are performed on a timely basis, we recommend that a comprehensive checklist be prepared to be used by the finance department. The checklist should cover all procedures that the City determines need to be performed on a periodic basis including, but not limited to, month end procedures such as bank reconciliations, and general ledger account analysis. In addition, we believe that the year-end closing could proceed more quickly by developing a closing schedule that indicates who will perform each procedure and when completion of each procedure is due and accomplished. The timing of specific procedures could be coordinated with the timing of the auditor's need for the information. The due dates could be monitored to determine that they are being met.

2. Accounting Procedures – City of West Covina

For fiscal year 2015, the external auditor of the City of West Covina noted that obtaining a complete and accurate final general ledger was problematic. After the start of year-end fieldwork, several accounts required audit adjustments to properly correct the year-end balances as noted below:

- Cash and Investments: Adjustments were necessary to: 1) remove reconciling item to adjust cash balance and 2) to adjust the fair market value adjustment.
- Inventory: Adjustments were made to adjust balance to year-end estimate.
- Receivables: Adjustments were necessary to correct sales and property taxes receivable balance.
- Expenditures/Revenues: Adjustments were necessary to record several expenditures and revenues to the proper accounts, funds, and proper period.



These adjustments resulted in a time consuming and challenging audit process. Establishing and using a more formal year-end closing schedule will improve efficiency and reduce the number of journal entries after the start of the formal audit. Such an approach would detail all the critical steps in the year-end close as well as the account analysis, schedule preparation and a secondary review of the schedules required for the audit. Due dates would also be monitored so that the process stays on target for the established time deadline.

3. Bank Reconciliations – City of West Covina

For fiscal year 2015, the external auditor of the City of West Covina noted that bank reconciliations were not completed timely and required significant adjustments to accurately state the cash balance at year-end.

Significant Deficiencies in Internal Controls

1. Payroll – City of West Covina

For fiscal year 2014, the external auditor of the City of West Covina noted that pay rate changes are entered into the City’s payroll program by the accounting technician in the Finance Department. The changes entered in to the payroll program are not reviewed by a supervisor or another responsible employee.

2. Bank Reconciliations – City of West Covina

For fiscal year 2014, the external auditor of the City of West Covina noted that bank reconciliations were not completed timely. An important element of internal control over cash is the reconciliation process which enables City staff to identify any differences between the bank and general ledger balances and resolve such differences in a timely manner. This process helps to improve internal control over the City’s cash.

3. Allocation of Overhead – City of West Covina

For fiscal year 2015, during the external auditor’s review of interfund charges, the external auditor noted expenses from various City departments were allocated to various funds based on budget amounts. A reconciliation to actual amounts is not performed, which may result in the related costs that were allocated to the funds to not be in accordance with relative benefits received. We recommend the City develop, document, and implement policies and procedures to ensure expenses are allocated in accordance with relative benefits received and in accordance with standard accounting practices and 2 CFR Part 225, *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87) Attachment A, Section F (1), “Indirect costs pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits received”.



4. Allocation of Wages and Fringe Benefits Based on Budget – City of West Covina

For fiscal year 2015, during the external auditor’s review of expenditures, the external auditor noted the City allocated certain employees’ wages and fringe benefits to various funds based on percentages approved during the budget process. These percentages are based on estimated time an employee works on the City. This could result in the related costs that were allocated to the City to not be in accordance with relative benefits received.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on the SCAQMD’s compliance with the California Clean Air Act of 1988 or the SCAQMD’s Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the governing board and management of the SCAQMD, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California

August 25, 2017

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND

List of Local Government Large Recipients
For the Years Ended June 30, 2015 and 2014

<u>Local Government</u>	<u>Fiscal Year(s)</u>
Los Angeles County	
1. Burbank	2015 and 2014
2. Carson	2015 and 2014
3. Downey	2015 and 2014
4. Hawthorne	2015 and 2014
5. Los Angeles	2015 and 2014
6. Norwalk	2015 and 2014
7. Pasadena	2015 and 2014
8. Pomona	2015 and 2014
9. Santa Clarita	2015 and 2014
10. Santa Monica	2015 and 2014
11. Torrance	2015 and 2014
12. West Covina	2015 and 2014
13. Whittier	2015 and 2014
Orange County	
14. Costa Mesa	2015 and 2014
15. Fullerton	2015 and 2014
16. Garden Grove	2015 and 2014
17. Huntington Beach	2015 and 2014
18. Irvine	2015 and 2014
19. Mission Viejo	2015 and 2014
20. Orange	2015 and 2014
21. Westminster	2015 and 2014
Riverside County	
22. Corona	2015 and 2014
23. Riverside	2015 and 2014
24. County of Riverside	2015 and 2014
San Bernardino County	
25. Fontana	2015 and 2014
26. Ontario	2015 and 2014
27. Rancho Cucamonga	2015 and 2014

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

***MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND
(SEGMENT 3)***

***INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES***

FOR THE YEARS ENDED JUNE 30, 2015 and 2014





SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Accountant's Report On Applying Agreed-Upon Procedures

The Governing Board of
The South Coast Air Quality Management District

We have performed the procedures enumerated below to the financials and other records of the South Coast Air Quality Management District (SCAQMD), which were agreed to by the management of the SCAQMD, solely to assist you in determining whether automobile registration fee revenues (AB 2766 funds) distributed to the Mobile Source Air Pollution Reduction Review Committee (MSRC) during fiscal years 2013-14 and 2014-15 were spent on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). The SCAQMD's management is responsible for use of AB 2766 funds in accordance with the cited criteria. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

Our procedures and results are as follows.

1. We reviewed the list of the MSRC members to verify that, in accordance with CHSC 44244(a), the Committee consists of a representative from each of the specified agencies.

Result

We noted no exceptions in performing this procedure.



2. In accordance with CHSC Section 44244(b), we verified that the MSRC developed and adopted work programs for FY 2013-14 and 2014-15 that were approved by the SCAQMD Governing Board.

Result

We noted no exceptions in performing this procedure.

3. We reviewed the list of the Technical Advisory Committee (TAC) members to verify that membership of TAC is in accordance with the specifications of CHSC Section 44244(c). As required by CHSC Section 44244(c), the TAC advisory committee shall also include one or more person who is a mechanical engineer specializing in vehicle engines.

Result

We noted no exceptions in performing this procedure.

4. We obtained an understanding of how AB 2766 funds are accounted for, including whether AB 2766 funds are maintained in a separate fund or if there is a separate accounting for the funds maintained by other means.

Result

We noted that the MSRC has a separate fund called the Mobile Source Air Pollution Reduction Review Committee Fund.

5. We obtained an understanding of established internal control procedures related to the receipt and use of AB 2766 funds.

Result

We noted no exceptions in performing this procedure.



6. We agreed AB 2766 revenues recorded in the Mobile Source Air Pollution Reduction Fund General Ledger to the SCAQMD's record of disbursements.

Result

We noted no exceptions in performing this procedure.

7. We conducted interviews in order to obtain an understanding of how the SCAQMD allocates interest earned and determined the reasonableness of the interest allocation and that interest was used for the same purposes for which AB 2766 funds were allocated to the SCAQMD.

Result

We noted no exceptions on the cost allocation schedule.

8. We tested AB 2766 expenditures of the Mobile Source Air Pollution Reduction Fund for each year to determine:
 - a) allowability, reasonableness, adequacy of supporting documentation, proper approval, clearly identified the project, and were incurred during the fiscal year;
 - b) that the funds were spent in accordance with CHSC Section 44220(b), which requires that AB 2766 fund expenditures were incurred solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement and technical studies necessary for implementation of the California Clean Air Act of 1988; and
 - c) in accordance with CHSC Section 44235, the SCAQMD did not use AB 2766 fees for the purpose of establishing or maintaining the district as a direct provider of the car pool, van pool, or other ridesharing or transit services.

Result

We noted no exceptions in performing this procedure.

9. We analyzed AB 2766 administrative expenditures to verify, in accordance with CHSC Section 44233, that the MSRC did not use more than 5% of the AB 2766 fees for administrative expenditures.

Result

We noted no exceptions in performing this procedure.



10. We obtained the SCAQMD expenditures to verify, in accordance with CHSC Section 44244.1(d), that the MSRC expended AB 2766 fees within one year of the program or project completion date.

Result

We noted no exceptions in performing this procedure.

11. We reviewed the SCAQMD's financial statements to verify that the Mobile Source Air Pollution Reduction Review Committee Fund was audited as part of the SCAQMD's annual audit conducted by an Independent CPA firm.

Result

We noted that the Mobile Source Air Pollution Reduction Review Committee Fund was audited as part of the SCAQMD's annual audit conducted by an Independent CPA firm.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on the MSRC's compliance with the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the governing board and management of the SCAQMD, members of the Mobile Source Air Pollution Reduction Review Committee and members of the Technical Advisory Committee of the MSRC and is not intended to be, and should not be used anyone other than those specified parties.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
July 28, 2017

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

***MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND
(SEGMENT 3 - PROJECTS)***

***INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES***

FOR THE YEARS ENDED JUNE 30, 2015 and 2014





SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Accountant's Report On Applying Agreed-Upon Procedures

The Governing Board of
The South Coast Air Quality Management District

We have performed the procedures enumerated below to the financials and other records of the South Coast Air Quality Management District (SCAQMD), which were agreed to by the management of the SCAQMD, solely to assist you in determining whether automobile registration fee revenues (AB 2766 funds) distributed to the Mobile Source Air Pollution Reduction Review Committee (MSRC) during fiscal years 2013-14 and 2014-15 were spent on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). These AB 2766 funds were allocated within the MSRC's fiscal years 2013-14 and 2014-15 AB 2766 Discretionary Fund Work Programs. The SCAQMD's management is responsible for use of AB 2766 funds in accordance with the cited criteria. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

Our procedures and results are as follows.

1. We examined and tested ten (10) projects, as presented in Attachment A, approved for funding during FY 2013-14 and 2014-15 by the MSRC to determine if these projects were aligned with the work programs for FY 2013-14 and 2014-15 and if these were properly approved by the SCAQMD's Governing Board

Result

We noted no exceptions in performing this procedure.



2. For the ten projects selected in fiscal years 2013-14 and 2014-15, as presented in Attachment A, we verified that the project was proposed under the FY 2013-14 and 2014-15 work programs that was developed and adopted by the MSRC and approved by the SCAQMD Board in accordance with CHSC Section 44244(b).

Result

We noted no exceptions in performing this procedure.

3. Obtain an understanding of how AB 2766 funds are accounted for, including whether AB 2766 funds are maintained in a separate fund or if there is a separate accounting for the funds maintained by other means.

Result

We noted that the MSRC has a separate fund called the Mobile Source Air Pollution Reduction Review Committee Fund.

4. We obtained an understanding of established internal control procedures related to the receipt and use of AB 2766 funds.

Result

We noted no exceptions in performing this procedure.

5. We agreed AB 2766 revenues recorded in the Mobile Source Air Pollution Reduction Fund General Ledger to the SCAQMD's record of disbursements.

Result

We noted no exceptions in performing this procedure.

6. We obtained a detailed listing of expenditures for the ten projects approved during fiscal years 2013-14 and 2014-15 and selected a sample of expenditures for testing. We tested AB 2766 expenditures of the Mobile Source Air Pollution Reduction Fund for each year to determine:

- a) allowability, reasonableness, adequacy of supporting documentation, proper approval, clearly identified the project, and were incurred during the fiscal year;
- b) that the funds were spent in accordance with CHSC Section 44220(b), which requires that AB 2766 fund expenditures were incurred solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement



and technical studies necessary for implementation of the California Clean Air Act of 1988; and

- c) in accordance with CHSC Section 44235, the SCAQMD did not use AB 2766 fees for the purpose of establishing or maintaining the district as a direct provider of the car pool, van pool, or other ridesharing or transit services.

Result

We noted no exceptions in performing this procedure.

- 7. We obtained a listing of the SCAQMD expenditures to verify, in accordance with CHSC Section 44244.1(d), that the MSRC expended AB 2766 fees within one year of the program or project completion date and that no more than 5% of the AB 2766 funds are used for administrative costs.

Result

We noted no exceptions in performing this procedure.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on the MSRC's compliance with the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the governing board and management of the SCAQMD, members of the Mobile Source Air Pollution Reduction Review Committee and members of the Technical Advisory Committee of the MSRC and is not intended to be, and should not be used anyone other than those specified parties.

A handwritten signature in cursive script, appearing to read "Simpson & Simpson".

Los Angeles, California
July 28, 2017

ATTACHMENT A
REVIEW RESULTS OF TEN (10) MSRC PROJECTS

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS

Contract No.: ML14011
Contractor: City of Palm Springs
Project Title: Palm Springs Bicycle Project
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$79,000	\$79,000	\$ -	\$ -	\$79,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14005
Contractor: Transit Systems Unlimited, Inc.
Project Title: Hollywood Bowl Higher Frequency Shuttle
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 515,200	\$ 515,200	\$ -	\$ -	\$ 515,200

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14042

Contractor: Grand Central Recycling & Transfer Station

Project Title: Expand Existing Compressed Natural Gas Fueling Station

Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14044

Contractor: TIMCO CNG Fund, LLC

Project Title: New Public-Access CNG Station in Santa Ana

Project Status: Complete

AB 2766 Funding Adopted	Amount Paid to Date	Contract Balance	Questioned Costs	Costs Accepted
\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14052
Contractor: Arcadia Unified School District
Project Title: CNG Station Replacement and Upgrade Project
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 78,000	\$ 78,000	\$ -	\$ -	\$ 78,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14053
Contractor: Upland Unified School District
Project Title: CNG Fuel Station Upgrade
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 175,000	\$ 175,000	\$ -	\$ -	\$ 175,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14074
Contractor: Midway City Sanitary District
Project Title: CNG Fuel Station Construction and Building Renovation
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 250,000	\$ 250,000	\$ -	\$ -	\$ 250,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14084
Contractor: US Air Conditioning Distributors
Project Title: Natural Gas Filling Station
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 100,000	\$ 100,000	\$ -	\$ -	\$ 100,000

Audit Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14089
Contractor: Top Shelf Consulting, LLC
Project Title: Enhanced Fleet Modernization Program
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 200,000	\$200,000	\$ -	\$ -	\$200,000

Audit Results: No Findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION
 REVIEW COMMITTEE FUND
 REVIEW RESULTS OF TEN (10) MSRC PROJECTS
 (CONTINUED)

Contract No.: MS14090
Contractor: City of Monterey Park
Project Title: CNG Fueling Station
Project Status: Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date</u>	<u>Contract Balance</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 225,000	\$ 225,000	\$ -	\$ -	\$ 225,000

Audit Results: No findings