

BOARD MEETING DATE: August 5, 2022

AGENDA NO. 15

REPORT: Audit Reports of AB 2766 Fee Revenue Recipients for Fiscal Years Ending June 30, 2018 and 2019

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 South Coast AQMD's share, MSRC's share, and local governments' share of such subvended funds, performed by independent Certified Public Accountants, has been completed.

COMMITTEE: Administrative, June 10, 2022; Recommended for Approval

RECOMMENDED ACTION:
Receive and file.

Wayne Nastri
Executive Officer

SJ:AP

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 on 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 South Coast AQMD'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 South Coast AQMD for distribution as follows: 30 percent (\$1.20) goes to support South Coast AQMD-approved programs for the reduction of emissions from mobile sources; 40 percent (\$1.60) is placed in the Air Quality Improvement Trust Fund for quarterly disbursement to local governments; and 30 percent (\$1.20) is placed in the Mobile Source Air Pollution Reduction Special Revenue

Fund for projects awarded by the Mobile Source Air Pollution Reduction Review Committee (MSRC) under a work program approved by South Coast AQMD Board.

Audit Summary

South Coast AQMD's Use of AB 2766 Fee Revenues – Segment 1

The audit of South Coast AQMD's use of the motor vehicle registration revenues resulted in no findings. The audit report is included in Attachment I. The cost of auditing South Coast AQMD's use of the AB 2766 revenues was \$4,850, paid from the South Coast AQMD's portion of the fee revenues.

Local Government Use of AB 2766 Fee Revenues – Segment 2

The audit of local governments' use of AB 2766 funds resulted in 25 findings from 17 agencies, out of 162 recipients. All of 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 \$76,725. 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.

MSRCs 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 June 16, 2022 meeting. The cost of auditing the MSRC and their use of program revenues was \$8,200 and will be deducted from the fee revenues subvented to the MSRC.

Attachments

- I. South Coast AQMD's Use of AB 2766 Fee Revenues – Segment 1
- II. Summary of AB 2766 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 Summary Audit Report - 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 Fiscal Years Ended June 30, 2019 and 2018



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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 on automobile registration fee revenues (AB 2766 funds) received by the South Coast Air Quality Management District (South Coast AQMD) for the fiscal years ended June 30, 2019 and 2018. The South Coast AQMD is responsible for spending AB 2766 funds on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the South Coast Air Quality Management District's (South Coast AQMD) 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 South Coast AQMD has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose solely to assist in determining whether AB 2766 funds received by the South Coast AQMD for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated results are as follows.

1. We inquired to understand how the South Coast AQMD accounts for AB 2766 funds, including whether the South Coast AQMD has established a separate trust fund for AB 2766 funds 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 South Coast AQMD.

2. We inquired to understand the South Coast AQMD internal control procedures over the receipt and use of AB 2766 funds.
 - a. We designed a test of significant controls to identify any significant deficiencies in the design or operation of the internal controls over the receipt and use of AB 1766 funds.

Result

We noted no exceptions in performing this procedure.

3. We inspected the California Department of Motor Vehicles (DMV) fee distribution record for AB 2766 revenues and agreed them to the South Coast AQMD's AB 2766 revenues recorded in the general ledger.

Result

We noted no exceptions in performing this procedure.

4. We recalculated the South Coast AQMD's allocation of AB 2766 revenue fees to recipients to ensure 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 inquired to understand how the South Coast AQMD allocates interest earned on AB 2766 funds.
 - a. We determined the reasonableness of the interest allocation and confirmed that interest was used for the same purposed for which AB 2766 funds were allocated to the South Coast AQMD.

Result

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

6. We obtained copy of the South Coast AQMD's governing board approved 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 inspected the South Coast AQMD's cost allocation schedule and recalculated, on a test basis, the reasonableness and mathematical accuracy of the cost allocation method.

Result

We noted no exceptions on the cost allocation schedule.

8. We performed substantive testing on AB 2766 direct and indirect non-labor project expenditures for each year to determine:

- a. That the expenditures are allowable, reasonable, properly supported by adequate documentation, properly approved, project is clearly identified, 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. That the expenditures are in accordance with CHSC Section 44235, which prevents AB 2766 fees for the purposes of establishing or maintaining the district as a direct provider of the carpool, van pool, or other ridesharing or transit services.

Result

We noted no exceptions in performing this procedure.

9. We performed substantive testing on AB 2766 direct payroll expenditures for each year to determine that the expenditures are allowable, reasonable, properly supported by adequate documentation, properly approved, project is clearly identified, and were incurred during the fiscal year.

Result

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

10. We recalculated and determined that the South Coast AQMD AB 2766 administrative expenditures did not exceed 6.25% of the AB 2766 fees distributed, in accordance with CHSC Section 44233.

Result

We noted no exceptions in performing this procedure.

11. We inspected the South Coast AQMD's records of disbursements and identify whether South Coast AQMD expended AB 2766 fees within one year of the program or project completion date, in accordance with CHSC Section 44244.1(d).

Result

We noted no exceptions in performing this procedure.

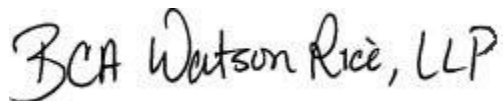
12. We confirmed that the South Coast AQMD submitted a report to the State Air Resource Board on the use of the fees and results of the programs funded and that the South Coast AQMD's control measures were in compliance with Title 42 of the United States Code control measures.

Result

We noted no exceptions in performing this procedure.

We were engaged by South Coast AQMD to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether AB 2766 funds received by the South Coast AQMD for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the South Coast AQMD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

A handwritten signature in dark ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, California

March 18, 2022

Summary of Fiscal Year 2017-18 and Fiscal Year 2018-19 AB 2766 Audit Findings for Local Governments and Council of Governments

Findings Description	Fiscal Year(s)	City/County/COG	Status
Inaccurate Information in the Annual Program Progress Report	FY 2018-19	City of Arcadia	Resolved-The City will be reporting administrative expenditures separately
Inaccurate Information in the Annual Program Progress Report	FY 2017-18 & FY 2018-19	City of Glendale	Resolved-The City included the project in the FY 2019-20 report.
Inaccurate Information in the Annual Program Progress Report	FY 2018-19	City of Lake Elsinore	Resolved-The City corrected the opening balance for FY 2019-20 report.
Inaccurate Information in the Annual Program Progress Report	FY 2018-19	County of San Bernardino	Resolved-The City corrected the opening balance for FY 2019-20 report.
Submission of Annual Audited Financial Statements	FY 2017-18 & FY 2018-19	City of Artesia	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2017-18 & FY 2018-19	City of Compton	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2017-18 & FY 2018-19	City of Huntington Park	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2017-18	City of El Monte	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2018-19	City of South Gate	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2017-18 & FY 2018-19	City of Buena Park	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2018-19	City of Villa Park	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2017-18 & FY 2018-19	City of Hemet	Resolved-City was Audited.
Submission of Annual Audited Financial Statements	FY 2017-18 & FY 2018-19	City of Grand Terrace	Resolved-City was Audited.
Unallowable Expenditures	FY 2018-19	City of Baldwin Park	Resolved-The City has replaced the funds.
Unallowable Expenditures	FY 2017-18 & FY 2018-19	City of Huntington Park	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Unallowable Expenditures	FY 2017-18	City of Huntington Park	Resolved-The City has requested SCAQMD to withhold funds from future disbursements.
Understatement of Accumulated Cash and Fund Balances	FY 2017-18 & FY 2018-19	City of La Mirada	Resolved-The City will be allocating the interest earning to the fund.
Overstatement of AB 2766 Revenue	FY 2018-19	City of Cathedral City	Resolved-The City corrected the opening balance for FY 2019-20 report.
Interest Income on Accumulated AB 2766 Funds	FY 2017-18 & FY 2018-19	City of Compton	Resolved-The City will be allocating the interest earning to the fund.
Non AB 2766 Revenue Recorded in the AB 2766 Fund	FY 2017-18	City of Artesia	Resolved-The City made an adjusting entry to correct the balance
Lack of Controls Over Financial Reporting	FY 2018-19	City of Compton	Resolved-The City has begun implementing internal control policies & procedures
Lack of Controls Over Financial Reporting	FY 2018-19	City of Huntington Park	Resolved-The City has begun implementing internal control policies & procedures
Lack of Controls Over Financial Reporting	FY 2017-18 & FY 2018-19	City of South Gate	Resolved-The City has begun implementing internal control policies & procedures
Lack of Controls Over Payroll	FY 2018-19	City of Compton	Resolved-The City has replaced the funds.
Lack of Controls Over Payroll	FY 2018-19	City of Long Beach	Resolved-The City has begun implementing internal control policies & procedures

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

AIR QUALITY IMPROVEMENT FUND

Summary Report on AB 2766 Fee Revenues for Local Government Recipients Under Health and Safety Code Section 44243(b) (Segment 2)

For the Fiscal Years Ended June 30, 2019 and 2018



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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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

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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 financial audit reports and reports on applying agreed-upon procedures completed for Segment 2 for the Biennial Audit of Fee Revenues under AB 2766 for the fiscal years ended June 30, 2019 and 2018. See Attachment B for the list of the local government recipients audited included in this summary.

For the purpose of determining whether motor vehicle registration fees (AB 2766 funds) subvended 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 40% of motor vehicle fee revenues subvended 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 March 18, 2022.

We summarized in this report the audit findings and questions costs for local government entities in Subgroups 2, 3, 4, 5 and 6 into 9 categories, as described below:

CATEGORY	DESCRIPTION
Noncompliance with the AB 2766 Compliance Requirements:	
1	Inaccurate Information in the Annual Program Progress Report Submitted to SCAQMD
2	Submission of Annual Audited Financial Statements and Annual Progress Report
3	Unallowable Expenditures
4	Understatement of Accumulated Cash and Fund Balances in the AB 2766 Fund
5	Overstatement of AB 2766 Revenue Recorded in the AB 2766 Fund
6	Interest Income on Accumulated AB 2766 Funds
Material Weaknesses or Significant Deficiencies in Financial Reporting:	
7	Non AB 2766 Revenue Recorded in the AB 2766 Fund
8	Lack of Controls Over Financial Reporting
9	Lack of Controls Over Payroll

The audit findings are described in the Summary of Audit 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.

BCA Watson Rice, LLP

Torrance, , California
March 31, 2022

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

SUMMARY OF AUDIT FINDINGS
For the Fiscal Years Ended June 30, 2019 and 2018

1. Inaccurate Information in the Annual Program Progress Report Submitted to SCAQMD

According to the SCAQMD Resource Guide, “*Cities and Counties under SCAQMD’s jurisdiction provide annual program and financial information to the SCAQMD. This information is compiled by the SCAQMD and forwarded as an annual report to California Air Resources Board (CARB)*”.

According to Chapter 12 of the SCAQMD Resource Guide, “*The Audit Guidelines describes 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*
- *An annual audited financial statement of AB 2766 funds”.*

Los Angeles County

City of Arcadia

For the fiscal year ended June 30, 2019, the City of Arcadia did not report the \$2,100 of administrative costs separately from the total project/program spending. Although administrative costs were not reported separately, we verified that the \$2,100 administrative costs were allowable expenditures and properly supported.

City of Glendale

For the fiscal year ended June 30, 2018, the City of Glendale did not include the Employer Based Trip Reduction Project, Transit Fare Subsidy Project, and administrative expenditures in the annual program progress report submitted to the SCAQMD. For the fiscal year ended June 30, 2019, the City of Glendale did not include the administrative expenditures in the annual progress report submitted to the SCAQMD.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT AIR QUALITY IMPROVEMENT FUND

SUMMARY OF AUDIT FINDINGS For the Fiscal Years Ended June 30, 2019 and 2018

1. Inaccurate Information in the Annual Program Progress Report Submitted to SCAQMD (Continued)

Riverside County

City of Lake Elsinore

For the fiscal year ended June 30, 2019, the City of Lake Elsinore reported an AB 2766 fund balance in the AB 2766 annual program progress report submitted to SCAQMD that has a variance of \$4,109 as compared to the recalculated audited fund balance amount. Per discussion with the City, the variance was caused by an erroneous reporting in the AB 2766 annual program progress report of \$4,109 administrative costs.

San Bernardino County

County of San Bernardino

For the fiscal year ended June 30, 2019, the County of San Bernardino did not accurately report the actual AB 2766 project's expenditures in the Annual Progress Report submitted to SCAQMD. As noted, the AB 2766 expenditures reported in the Annual Progress Report was \$473,235, while the actual AB 2766 expenditures incurred and paid per the County's General Ledger was \$403,819, resulting in the over reporting of expenditures by \$69,416 as detailed below:

Nature of Expenditures	Total AB 2766 Expenditure per GL	Total AB 2766 Expenditures Per Annual Progress Report	Variance Annual Progress Report was
Employees - Based Trip Reduction	\$ 361,513	\$ 430,899	\$ (69,386)
Vanpool Programs	22,767	22,797	(30)
Administrative	19,539	19,539	-
Total	\$ 403,819	\$ 473,235	\$ (69,416)

The \$69,386 over reported Employees-Based Trip Reduction Program's expenditures represent encumbered expenditures as of June 30, 2019. These expenditures were actually incurred and paid in the subsequent fiscal year, resulting in a timing difference. However, the \$30 variance in the Vanpool Program's expenditures was an unreconciled amount.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT AIR QUALITY IMPROVEMENT FUND

SUMMARY OF AUDIT FINDINGS For the Fiscal Years Ended June 30, 2019 and 2018

2. Submission of Annual Audited Financial Statements and Annual Progress Report

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 7266 funds by the first Friday in February of each year. For fiscal years 2019 and 2018, the following cities did not submit its annual program progress report and/or annual audited financial statements to the SCAQMD in a timely manner.

<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
<u>Los Angeles County</u>	<u>Los Angeles County</u>
City of Artesia	City of Artesia
City of Compton	City of Compton
City of Huntington Park	City of El Monte
City of South Gate	City of Huntington Park
<u>Orange County</u>	<u>Orange County</u>
City of Buena Park	City of Buena Park
City of Villa Park	
<u>Riverside County</u>	<u>Riverside County</u>
City of Hemet	City of Hemet
<u>San Bernardino County</u>	<u>San Bernardino County</u>
City of Grand Terrace	City of Grand Terrace

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT AIR QUALITY IMPROVEMENT FUND

SUMMARY OF AUDIT FINDINGS For the Fiscal Years Ended June 30, 2019 and 2018

3. 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.

<u>Fiscal Year 2019</u>	<u>Description</u>	<u>Amount</u>
<u>Los Angeles County</u>		
City of Baldwin Park	CNG fuel station design	\$ 2,897.37
City of Baldwin Park	Public works	4,900.00
City of Baldwin Park	Recreation services	4,900.00
City of Huntington Park	Tires and oil changes for leased alternative vehicles	1,392.00
<u>Fiscal Year 2018</u>	<u>Description</u>	<u>Amount</u>
City of Huntington Park	Tires and oil changes for leased alternative vehicles	\$ 510.00
City of Huntington Park	Middleton Street Elementary Safe Routes to School	80,000.00

4. Understatement of Accumulated Cash and Fund Balances in the AB 2766 Fund

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 Funds”.

Los Angeles County

City of La Mirada

The allocated AB 2766 funds interest income of \$7,823 for the fiscal year ended June 30, 2019 was not posted to the AB 2766 fund general ledger. However, this amount was included in the annual report submitted to the SCAQMD. We were also informed that the allocated interest income from prior fiscal years 2011-2012 to 2018-2019, (last 8 fiscal years) totaling \$27,646.17 was also not posted to the AB 2766 fund general ledger, but was maintained and tracked under the City’s General Fund, and included in the annual reports for each fiscal year submitted to the SCAQMD. Thus, over the years the accumulated cash and fund balances of the AB 2766 fund general ledger were understated.

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

SUMMARY OF AUDIT FINDINGS
For the Fiscal Years Ended June 30, 2019 and 2018

5. Overstatement of AB 2766 Revenue Recorded in the AB 2766 Fund

According to Chapter 14 of the SCAQMD Resource Guide, *“the total amount disbursed for the four quarter should equal the annual AB 2766 revenues for the city/county”*.

Riverside County

City of Cathedral City

The amount of AB 2766 funds received by the City of Cathedral City for the fiscal year ended June 30, 2019 as reported in their AB 2766 annual program progress report to the SCAQMD was overstated by \$145 (amount reported \$71,212 versus actual amount received of \$71,067) due to an oversight by the City.

6. Interest Income on Accumulated 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 Funds”*.

Los Angeles County

City of Compton

We noted that the interest income for the years ended June 30, 2019 and 2018, in the amount \$11,962 and \$6,122, respectively were not allocated to the Air Quality Improvement Fund. . However, during our fieldwork, the City provided us with journal entries evidencing that these amounts were retroactively allocated to the AB 2766 funds during fiscal year 2018-2019 and were added to the AB 2766 fund’s cash and fund balances as of June 30, 2020.

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

SUMMARY OF AUDIT FINDINGS
For the Fiscal Years Ended June 30, 2019 and 2018

7. Non AB 2766 Revenue Recorded in the AB 2766 Fund

According to Chapter 14 of the SCAQMD Resource Guide, “*AB 2766 revenues may not be combined with revenues from other fee revenues*”.

County of Los Angeles

City of Artesia

For the fiscal year ended June 30, 2018, the City of Artesia erroneously recorded the summer lunch program revenue of \$2,673.32 under the Air Quality Improvement Fund.

8. Lack of Controls Over Financial Reporting

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.

County of Los Angeles

City of Compton

On November 20, 2020, the City’s independent auditor issued a Qualified Opinion on the City’s June 30, 2019 financial statements due to material deficiencies noted on its financial reporting, including the non-preparation and review of bank reconciliations statements in a timely manner. Moreover, the Single audit report for the fiscal year ended June 30, 2019, reported several material and significant deficiencies on its federal programs, although none reported involving the AB 2766 funds. Because of these material deficiencies, particularly the finding related to the bank reconciliation statements not prepared on a timely basis, it casted doubt on the reliability of the City of Compton’s financial statements, including the AB 2766 funds financial statements, as of June 30, 2019.

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

SUMMARY OF AUDIT FINDINGS
For the Fiscal Years Ended June 30, 2019 and 2018

8. Lack of Controls Over Financial Reporting (Continued)

City of Huntington Park

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 for the fiscal year ended June 30, 2019 dated November 25, 2020, indicated material weaknesses and significant deficiencies in its internal controls over financial reporting that are related to the timely preparation of bank reconciliation statements, proper approval and correct posting of journal vouchers transactions. Moreover, it was noted that there was delayed in closing of its books and the preparation of the financial statements.

City of South Gate

In our review of the bank reconciliations for the fiscal years ended June 30, 2019 and 2018, we noted that the preparer and reviewer did not indicate the date when the bank reconciliations were prepared and reviewed. Thus, we were unable to verify whether the City of South Gate completed and reviewed the monthly bank reconciliations in a timely manner, which according to best practices should be performed within 30 days upon receipt of the bank statements.

9. Lack of Controls Over Payroll

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".

County of Los Angeles

City of Compton

In our testing of payroll expenditures, the City of Compton was unable to provide the supporting timesheets and payroll registers for the direct labor charged to the AB 2766 fund dated October 13, 2018 and December 22, 2018 in the amount of \$1,853 and \$624, respectively.

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

**SUMMARY OF AUDIT FINDINGS
For the Fiscal Years Ended June 30, 2019 and 2018**

9. Lack of Controls Over Payroll (Continued)

City of Long Beach

In our testing of payroll expenditures, we identified two out of the ten employees' timesheets that were selected for payroll testing for the month of March 2019 were inaccurately recorded in the payroll system, which resulted to the actual AB 2766 allocated payroll costs being underreported by \$135 (one employee was overreported by \$832 and the other employee was underreported by \$967).

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

**LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Fiscal Years Ended June 30, 2019 and 2018**

	<u>City</u>	<u>Type of Audit</u>	<u>Fiscal Year(s)</u>
	Los Angeles County		
1)	City of Alhambra	Financial & Compliance	2018 & 2019
2)	City of Arcadia	Agreed Upon Procedures	2019
3)	City of Artesia	Financial & Compliance	2018 & 2019
4)	City of Azusa	Agreed Upon Procedures	2018
5)	City of Baldwin Park	Agreed Upon Procedures	2019
6)	City of Bell	Agreed Upon Procedures	2018
7)	City of Compton	Financial & Compliance	2018 & 2019
8)	City of El Monte	Financial & Compliance	2018 & 2019
9)	City of Gardena	Agreed Upon Procedures	2018
10)	City of Glendale	Financial & Compliance	2018 & 2019
11)	City of Glendora	Agreed Upon Procedures	2019
12)	City of Hawthorne	Financial & Compliance	2018 & 2019
13)	City of Huntington Park	Financial & Compliance	2018 & 2019
14)	City of Irwindale	Agreed Upon Procedures	2019
15)	City of Lakewood	Financial & Compliance	2019
16)	City of La Mirada	Agreed Upon Procedures	2019
17)	City of La Verne	Agreed Upon Procedures	2018
18)	City of Long Beach	Financial & Compliance	2018 & 2019
19)	City of Rancho Palos Verdes	Agreed Upon Procedures	2018
20)	City of San Marino	Agreed Upon Procedures	2019
21)	City of South Gate	Financial & Compliance	2018 & 2019
22)	City of South Pasadena	Agreed Upon Procedures	2018
23)	City of Walnut	Agreed Upon Procedures	2019
24)	County of Los Angeles	Financial & Compliance	2018 & 2019

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT AIR QUALITY IMPROVEMENT FUND

LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED For the Fiscal Years Ended June 30, 2019 and 2018 (Continued)

	<u>City</u>	<u>Type of Audit</u>	<u>Fiscal Year(s)</u>
	Orange County		
25)	City of Anaheim	Financial & Compliance	2018 & 2019
26)	City of Buena Park	Financial & Compliance	2018 & 2019
27)	City of Cypress	Agreed Upon Procedures	2018
28)	City of Dana Point	Agreed Upon Procedures	2019
29)	City of La Habra	Agreed Upon Procedures	2018
30)	City of La Palma	Agreed Upon Procedures	2018
31)	City of Laguna Hills	Agreed Upon Procedures	2019
32)	City of Laguna Niguel	Agreed Upon Procedures	2018
33)	City of Newport Beach	Financial & Compliance	2018 & 2019
34)	City of Villa Park	Financial & Compliance	2019
35)	County of Orange	Financial & Compliance	2018 & 2019
	Riverside County		
36)	City of Calimesa	Agreed Upon Procedures	2018
37)	City of Cathedral City	Agreed Upon Procedures	2019
38)	City of Hemet	Financial & Compliance	2018 & 2019
39)	City of La Quinta	Agreed Upon Procedures	2019
40)	City of Lake Elsinore	Agreed Upon Procedures	2019
41)	City of Menifee	Financial & Compliance	2019
42)	City of Moreno Valley	Financial & Compliance	2018 & 2019
43)	City of Murrieta	Financial & Compliance	2018 & 2019
44)	City of Norco	Agreed Upon Procedures	2019
45)	City of Palm Springs	Agreed Upon Procedures	2018
46)	City of Rancho Mirage	Agreed Upon Procedures	2019
47)	City of Temecula	Financial & Compliance	2018 & 2019
48)	City of Wildomar	Agreed Upon Procedures	2018

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

LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

	City	Type of Audit	Fiscal Year(s)
	San Bernardino County		
49)	City of Big Bear Lake	Agreed Upon Procedures	2019
50)	City of Grand Terrace	Financial & Compliance	2018 & 2019
51)	City of Loma Linda	Agreed Upon Procedures	2018
52)	City of San Bernardino	Financial & Compliance	2018 & 2019
53)	San Bernardino County	Financial & Compliance	2018 & 2019
	Consortium		
54)	Coachella Valley Association of Governments	Financial & Compliance	2018 & 2019
55)	Gateway Cities Council of Governments	Financial & Compliance	2018 & 2019
56)	Western Riverside Council of Governments	Financial & Compliance	2018 & 2019

**SOUTH COAST AIR QUALITY
MANAGEMENT DISTRICT**
AIR QUALITY IMPROVEMENT FUND (SEGMENT 2 – SUBGROUP A)

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

For the Fiscal Years Ended June 30, 2019 and 2018



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**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 on 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 South Coast Air Quality Management District (South Coast AQMD) by cities and counties that received automobile registration fee revenues (AB 2766 funds) from the South Coast AQMD for the fiscal years ended June 30, 2019 and 2018. This report also includes internal control deficiencies and material weaknesses identified in the reports on internal controls. The cities and counties are responsible for spending AB 2766 funds on activities that reduce air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the South Coast AQMD'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 South Coast AQMD has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of solely to assist in determining whether AB 2766 funds distributed to the cities and counties for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated results are as follows.

We performed a summary review of the audited financial statements and the independent auditors' report on compliance and on internal controls over compliance submitted to the South Coast AQMD by the cities and counties that received more than \$100,000 of AB 2766 funds per year (Large Recipients) for the fiscal years ended June 30, 2019 and 2018 (See Attachment A for the list of recipient). We identified any modifications of the independent auditors' opinions on the Large Recipients' annual financial statements; instances of noncompliance with AB 2766 compliance requirements; and deficiencies, significant deficiencies, and material weaknesses in internal controls over financial reporting and compliance required by AB 2766, and summarized these instances below.

MODIFIED OPINIONS ON THE AUDITED FINANCIAL STATEMENTS

No matters noted.

NONCOMPLIANCE WITH THE AB 2766 COMPLIANCE REQUIREMENTS

1. Reporting Requirements

Los Angeles County

City of Carson

For the fiscal year ended June 30, 2018, the independent auditors of the City of Carson noted that the City submitted the annual progress report for the fiscal year ended June 30, 2017 after the due date. AB 2766 requires all agency entities to comply with annual reporting requirements. One requirement is the submission of the annual progress report to the SCAQMD no later than the first Friday of February of the following year. For the year ended June 30, 2017, the deadline was extended until August 3, 2018. The City submitted the annual progress report for the fiscal year ended June 30, 2017, on November 10, 2018, which was after the extended due date of August 3, 2018. The City's independent auditors recommended that the City implement policies and procedures to ensure timely reporting.

For the fiscal year ended June 30, 2019, the independent auditors of the City of Carson noted that the City submitted the annual progress report for the fiscal year ended June 30, 2018 after the due date. AB 2766 requires all agency entities to comply with annual reporting requirements. One requirement is the submission of the annual progress report to the SCAQMD no later than the first Friday of February of the following year. The City submitted the annual progress report for the fiscal year ended June 30, 2018, on June 11, 2019, which was after the due date. The City's independent auditors recommended that the City implement policies and procedures to ensure timely reporting.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND COMPLIANCE REQUIRED BY AB 2766

1. Financial Reporting and Closing (Material Weakness)

Los Angeles County

City of Santa Clarita

Management is responsible for the preparation of the AB 2766 Fund's basic financial statements and all accompanying information as well as all representations contained therein and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile, and summarize information for inclusion in the Fund financial statements.

For the fiscal year ended June 30, 2019, the independent auditors of the City of Santa Clarita noted an adjustment to the AB 2766 Fund during the audit, which was corrected by management. A \$13,000 accrual for services performed during the fiscal year ended June 30, 2019, but paid for subsequent to year-end. Journal entries were posted, and adjustments made to the financial statements in order to fairly present the fund financial statements. While the City has detailed closing procedures, the adjustment was identified and proposed during the audit by the independent auditors.

The City's independent auditors recommended that the City review its closing policies and procedures to ensure amounts are properly reconciled for year-end closing, including evaluating the thresholds used for accruals on standalone funds.

2. Prior Period Adjustments (Significant Deficiency)

San Bernardino County

City of Fontana

Auditing Standards require that the independent auditors are required to report the restatement of previously issued financial statements to reflect the correction of a material misstatement, in order to indicate a deficiency in internal control.

For the fiscal year ended June 30, 2018, the independent auditors of the City of Fontana noted that due to an administrative oversight over funding sources, there were transactions posted to the incorrect fund. Prior period adjustments were recorded to correct the funding source of housing loans awarded.

The City's independent auditors recommended that the City should establish procedures to identify adjustments in the reporting period in which the related transactions occurred. The auditors stated that they recognized that it is not always possible to detect errors prior to the close of the fiscal year and, on occasion, the City's internal controls may identify adjustments in subsequent periods.

We were engaged by the South Coast AQMD to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether AB 2766 funds distributed to the cities and counties for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the South Coast AQMD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
March 18, 2022

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

List of Local Government Large Recipients
For the Fiscal Years Ended June 30, 2019 and 2018

<u>Local Government</u>	<u>Fiscal Years Ended June 30,</u>
Los Angeles County	
1. Burbank	2019 and 2018
2. Carson	2019 and 2018
3. Downey	2019 and 2018
4. Inglewood	2019 and 2018
5. Los Angeles	2019 and 2018
6. Norwalk	2019 and 2018
7. Pasadena	2019 and 2018
8. Pomona	2019 and 2018
9. Santa Clarita	2019 and 2018
10. Santa Monica	2019 and 2018
11. Torrance	2019 and 2018
12. West Covina	2019 and 2018
13. Whittier	2019 and 2018
Orange County	
14. Costa Mesa	2019 and 2018
15. Fullerton	2019 and 2018
16. Garden Grove	2019 and 2018
17. Huntington Beach	2018
18. Irvine	2019 and 2018
19. Lake Forest	2019 and 2018
20. Mission Viejo	2019 and 2018
21. Santa Ana	2019 and 2018
22. Tustin	2019 and 2018
23. Westminster	2019 and 2018
Riverside County	
24. Corona	2019 and 2018
25. County of Riverside	2019 and 2018
26. Indio	2019 and 2018
27. Jurupa Valley	2019 and 2018
28. Riverside	2019 and 2018
San Bernardino County	
29. Chino	2019 and 2018
30. Chino Hills	2019 and 2018
31. Fontana	2019 and 2018
32. Ontario	2019 and 2018
33. Rancho Cucamonga	2019 and 2018

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 Fiscal Years Ended June 30, 2019 and 2018



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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 on automobile registration fee revenues (AB 2766 funds) distributed to the Mobile Source Air Pollution Reduction Review Committee (MSRC) for the fiscal years ended June 30, 2019 and 2018. The MSRC is responsible for spending AB 2766 funds on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the South Coast Air Quality Management District's (South Coast AQMD) 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 South Coast AQMD has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose solely to assist in determining whether AB 2766 funds distributed to the MSRC for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated results are as follows.

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

Result

We confirmed that the MSRC consisted of members from each of the specified agencies.

2. We obtained the MSRC's Adopted Work Programs for the fiscal years ended June 30, 2019 and 2018 to verify that these were approved by the South Coast AQMD Governing Board, in accordance with CHSC Section 44244(b).

Result

We confirmed that the MSRC's Adopted Work Programs were approved by the South Coast AQMD Governing Board in accordance with CHSC Section 44244(b).

3. We obtained the listing of Technical Advisory Committee (TAC) members to verify that membership of TAC is in accordance with specification of CHSC Section 44244(c).

Result

Exception noted. The TAC membership did not include a member who is a mechanical engineer specializing in vehicle engines as required by CHSC Section 44244(c).

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

Result

We noted that AB 2766 funds are recorded in the Mobile Source Air Pollution Reduction Review Committee Fund (Fund 23).

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 Review Committee Fund's general ledger to the South Coast AQMD's record of disbursements.

Result

We noted no exceptions in performing this procedure.

7. We obtained an understanding of how the South Coast AQMD allocated interest earned on AB 2766 funds to determine the reasonableness of the interest allocation and confirm that interest was used for the same purposes for which AB 2766 funds were allocated to the South Coast AQMD.

Result

We noted no exceptions in performing this procedure.

8. We obtained a detailed listing of AB 2766 expenditures of the Mobile Source Air Pollution Reduction Review Committee Fund for the fiscal years ended June 30, 2019 and 2018 and selected a sample of expenditures for testing to determine:
 - a. That the expenditures are allowable, reasonable, properly supported by adequate documentation, properly approved, project is clearly identified, 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. That the expenditures are in accordance with CHSC Section 44235, which prevents AB 2766 fees for the purposes of establishing or maintaining the district as a direct provider of the carpool, van pool, or other ridesharing or transit services.

Result

We noted no exceptions in performing the above procedures.

9. We obtained a listing of the Mobile Source Air Pollution Reduction Review Committee Fund's administrative expenditures to verify that it did not exceed 6.25% of the AB 2766 funds distributed, in accordance with CHSC Section 44244.1(d).

Result

We noted no exceptions in performing this procedure.

10. We obtained a listing of the Mobile Source Air Pollution Reduction Review Committee Fund's records of disbursements to verify, in accordance with CHSC Section 44244.1(d), the AB 2766 funds received were expended within one year of the program or project completion date.

Result

We noted no exceptions in performing this procedure.

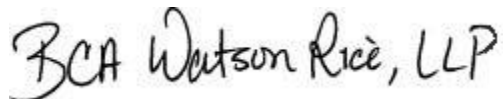
11. We obtained the South Coast AQMD's audited Financial Statements for the fiscal years ended June 30, 2019 and 2018 to verify that the Mobile Source Air Pollution Reduction Review Committee Fund was audited as part of the South Coast AQMD's annual audit conducted by an independent CPA firm.

Result

We noted no exceptions in performing this procedure.

We were engaged by the South Coast AQMD to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether AB 2766 funds distributed to the MSRC for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the South Coast AQMD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, California
March 18, 2022

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 Fiscal Years Ended June 30, 2019 and 2018



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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 on automobile registration fee revenues (AB 2766 funds) distributed to the Mobile Source Air Pollution Reduction Review Committee (MSRC) for the fiscal years ended June 30, 2019 and 2018. The MSRC is responsible for spending AB 2766 funds on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988 or the South Coast Air Quality Management District's (South Coast AQMD) 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 South Coast AQMD has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of solely to assist in determining whether AB 2766 funds distributed to the MSRC for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated results are as follows.

1. We examined and tested ten (10) projects, as presented in Attachment A, approved for funding for the fiscal years ended June 30, 2019 and 2018 by the MSRC to determine if these projects aligned with the work programs for the fiscal years ended June 30, 2019 and 2019, and if these were properly approved by the South Coast AQMD's Governing Board.

Result

We confirmed that the projects aligned with the work programs for the fiscal years ended June 30, 2019 and 2019, and that these projects were properly approved by the South Coast AQMD's Governing Board.

2. For the ten projects selected for the fiscal years ended June 30, 2019 and 2018, as presented in Attachment A, we verified that the projects were proposed under the fiscal years ended June 30, 2019 and 2018 work programs that was developed and adopted by the MSRC and approved by the South Coast AQMD Board in accordance with CHSC Section 44244(b).

Result

We confirmed that the projects were proposed under the work programs and properly approved by the South Coast AQMD Board in accordance with CHSC Section 44244(b).

3. 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 (Fund 23).

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 Review Committee Fund's general ledger to the South Coast AQMD'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 for the fiscal years ended June 30, 2019 and 2018, and selected samples for testing of AB 2766 expenditures of the Mobile Source Air Pollution Reduction Fund for each year to determine:
 - a. That the expenditures are allowable, reasonable, properly supported by adequate documentation, properly approved, project is clearly identified, 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. That the expenditures are in accordance with CHSC Section 44235, which prevents AB 2766 fees for the purposes of establishing or maintaining the district as a direct provider of the carpool, van pool, or other ridesharing or transit services.

Result

We noted no exceptions to our expenditures testing.

7. We obtained a listing of the South Coast AQMD's 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 6.25% of the AB 2766 funds are used for administrative costs.

Result

We noted no exceptions in performing this procedure.

We were engaged by the South Coast AQMD to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether AB 2766 funds distributed to the MSRC for the fiscal years ended June 30, 2019 and 2018 were spent on the reduction of air pollution from motor vehicles pursuant to California Clean Air Act of 1988 or the South Coast AQMD's AQMP. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the South Coast AQMD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

BCA Watson Rice, LLP

Torrance, California
March 18, 2022

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.: ML18056

Contractor: City of Chino

Project Title: Install EV Charging Infrastructure

Project Status*: Completed

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 103,868	\$ 103,868	\$ -	\$ -	\$ 103,868

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: ML18077

Contractor: City of Orange

Project Title: Purchase four on-road, light-duty zero emission vehicles and install eight EV charging stations

Project Status*: Completed

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 59,776	\$ 59,776	\$ -	\$ -	\$ 59,776

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: ML18130

Contractor: City of Lake Forest

Project Title: Install 21 EV Charging Stations

Project Status*: Completed

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 106,480	\$ 106,480	\$ -	\$ -	\$ 106,480

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: ML18156

Contractor: City of Covina

Project Title: Procure 4 Light-Duty ZEVs and Install EV Charging Stations

Project Status*: In Progress

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 63,800	\$ 62,713	\$ 1,087	\$ -	\$ 62,713

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: ML18163

Contractor: City of San Clemente

Project Title: Procure Light-Duty ZEVs and Install EV Charging Stations

Project Status*: In Progress

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 85,000	\$ 70,534	\$ 14,466	\$ -	\$ 70,534

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: MS18002

Contractor: Southern California Association of Governments

Project Title: Implement "Go Human" Program

Project Status*: In Progress

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 2,500,000	\$ 886,788	\$ 1,613,212	\$ -	\$ 886,788

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: MS18023

Contractor: Riverside County Transportation Commission

Project Title: Weekend Freeway Service Patrols

Project Status*: In Progress

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 500,000	\$ 285,073	\$ 214,927	\$ -	\$ 285,073

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: MS18065

Contractor: San Bernardino County Transportation Authority

Project Title: Implement San Bernardino Line Fare Discount Pilot Program

Project Status*: In Progress

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 2,000,000	\$ 1,996,474	\$ 3,526	\$ -	\$ 1,996,474

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: MS18106

Contractor: R.F. Dickson Company, Inc.

Project Title: Expand CNG fueling station and provide technician training

Project Status*: In Progress

<u>AB 2766 Funding Adopted</u>	<u>Amount Paid to Date*</u>	<u>Contract Balance*</u>	<u>Questioned Costs</u>	<u>Costs Accepted</u>
\$ 265,000	\$ 250,000	\$ 15,000	\$ -	\$ 250,000

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021

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

Contract No.: MS18125

Contractor: U.S. Gain

Project Title: Install CNG Fueling Station

Project Status*: In Progress

<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	\$ 180,000	\$ 20,000	\$ -	\$ 180,000

Audit Results: No findings

* Project status, amounts paid to date, and contract balance are as of June 30, 2021