

BOARD MEETING DATE: August 2, 2024

AGENDA NO. 15

REPORT: Audit Reports of AB 2766 Fee Revenue Recipients for Fiscal Years Ending June 30, 2020 and 2021

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 14, 2024, Reviewed

RECOMMENDED ACTION:
Receive and file.

Wayne Natri
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 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 MSRC Committee under a work program approved by South Coast AQMD Board.

Subsequent to the June 14, 2024 Administration Committee meeting, staff noticed an error in Attachment D. A finding was listed in the auditor report for City of Covina, but it should have been City of West Covina.

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 A. The cost of auditing South Coast AQMD’s use of the AB 2766 revenues was \$3,950, paid from 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 34 findings from 22 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 B, along with the audit reports in Attachments C and D.

The total cost to audit the local government recipients was \$99,700. 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 E and F. The MSRC reviewed the summary audit reports at its June 20, 2024 meeting. The cost of auditing the MSRC and their use of program revenues was \$8,000 and will be deducted from the fee revenues subvended to the MSRC.

Attachments

- A. South Coast AQMD’s Use of AB 2766 Fee Revenues – Segment 1
- B. Summary of AB 2766 Audit Findings for Local Governments and Council of Governments
- C. Local Governments Use of AB 2766 Fee Revenues Summary of Audit Reports - Segment 2
- D. Local Governments Use of AB 2766 Fee Revenues Summary of Audit Reports - Segment 2, Subgroup 1
- E. MSRC’s Use of AB 2766 Fee Revenues Summary Audit Report - Segment 3
- F. 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, 2021 AND 2020





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 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, 2021 and 2020. 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, 2021 and 2020 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.

Our procedures and results are as follows.

1. We inquired to obtain an understanding of how the SCAQMD accounts for AB 2766 funds, 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 6.25% 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.

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
November 7, 2023

Summary of Fiscal Year 2019-20 and Fiscal Year 2020-21 AB 2766 Audit Findings for Local Governments and Council of Governments

Findings Description	Fiscal Year(s)	City/County/COG	Status
Unallowable Expenditures	FY 2019-20	City of Duarte	Resolved-The City has replaced the funds
Unallowable Expenditures	FY 2019-20	City of Hawaiian Gardens	Resolved-The City has requested SCAQMD to withhold funds from future disbursements
Unallowable Expenditures	FY 2019-20 & FY 2020-21	City of Huntington Park	Resolved-The City has replaced the funds
Unallowable Expenditures	FY 2020-21	City of Artesia	Resolved-The City has replaced the funds
Unallowable Expenditures	FY 2020-21	City of Cudahy	Resolved-The City has requested SCAQMD to withhold funds from future disbursements
Unallowable Expenditures	FY 2020-21	City of Long Beach	Resolved-The City has replaced the funds
Unallowable Expenditures	FY 2020-21	City of South Gate	Resolved-The City has replaced the funds
Unallowable Expenditures	FY 2020-21	City of Seal Beach	Resolved-The City has requested SCAQMD to withhold funds from future disbursements
Overstatement of MSRC Contract Revenue Recorded in AB 2766 Fund	FY 2019-20	City of Artesia	Resolved-The City has replaced the funds
AB 2766 Funds Not Accounted for Separately	FY 2019-20 & FY 2020-21	City of Palos Verdes Estates	Resolved-The City has set up a special revenue fund
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of Artesia	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of Baldwin Park	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of Compton	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of Cudahy	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of Huntington Park	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of Lawndale	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of Palos Verdes Estates	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20	City of South El Monte	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of South Gate	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of South Pasadena	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of Placentia	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of San Juan Capistrano	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of La Quinta	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of Perris	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2020-21	City of San Jacinto	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20 & FY 2020-21	City of Fontana	Resolved-The City was Audited
Submission of Annual Audited Financial Statements	FY 2019-20	City of Yucaipa	Resolved-The City was Audited
Lack of Controls Over Financial Reporting	FY 2019-20 & FY 2020-21	City of Artesia	Resolved-The City has begun implementing internal control policies & procedures
Lack of Controls Over Financial Reporting	FY 2019-20 & FY 2020-21	City of Compton	Resolved-The City has begun implementing internal control policies & procedures
Lack of Controls Over Financial Reporting	FY 2019-20 & FY 2020-21	City of Huntington Park	Resolved-The City has begun implementing internal control policies & procedures
Lack of Controls Over Financial Reporting	FY 2019-20	City of Long Beach	Resolved-The City has begun implementing internal control policies & procedures

Summary of Fiscal Year 2019-20 and Fiscal Year 2020-21 AB 2766 Audit Findings for Local Governments and Council of Governments

Findings Description	Fiscal Year(s)	City/County/COG	Status
Lack of Controls Over Financial Reporting	FY 2020-21	City of South Gate	Resolved-The City has begun implementing internal control policies & procedures
Bank Reconciliations Not Performed in a Timely Manner	FY 2019-20 & FY 2020-21	City of Artesia	Resolved-The City has begun implementing policies & procedures for bank reconciliations
Bank Reconciliations Not Performed in a Timely Manner	FY 2020-21	City of Rialto	Resolved-The City has begun implementing policies & procedures for bank reconciliations

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, 2021 and 2020



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, 2021 and 2020	3
Attachment A - Summary of Findings	5
Attachment B - List of Government Recipients Audited	12



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

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, 2021 and 2020. 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) 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 the 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 A, we reviewed audit reports prepared by other auditors and summarized audit findings included in the reports. The Subgroup A summary was provided in a separate report dated March 18, 2024.



To this report, we have summarized audit findings and questioned costs for local government entities in Subgroups 2, 3, 4, 5 and 6 into six categories, as described below.

CATEGORY	DESCRIPTION
----------	-------------

Noncompliance with the AB 2766 Compliance Requirements:

- 1 Unallowable Expenditures
- 2 Overstatement of MSRC Contract Revenue Recorded in the AB 2766 Fund
- 3 AB 2766 Funds Not Accounted for Separately
- 4 Submission of Annual Audited Financial Statements and Annual Progress Report

Material Weaknesses or Significant Deficiencies in Financial Reporting:

- 5 Lack of Controls Over Financial Reporting
- 6 Bank Reconciliations Not Performed in a Timely Manner

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
April 9, 2024

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

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.

<u>Fiscal Year 2021</u>	<u>Description</u>	<u>Amount</u>
<u>Los Angeles County</u>		
City of Duarte	Ongoing maintenance fee of a leased alternative fuel vehicle	\$ 506.00
City of Hawaiian Gardens	Gateway Cities Council of Governments annual membership dues	7,150.00
City of Huntington Park	Insurance and maintenance fees of leased alternative fuel vehicles	458.28
<u>Fiscal Year 2020</u>	<u>Description</u>	<u>Amount</u>
<u>Los Angeles County</u>		
City of Artesia	Portion of the purchase cost of the electric bus that was reimbursed by Proposition A Local Return Fund and FTA Grant	300,017.00
City of Cudahy	Duplicated billing for lease charges for the month of May 2020	1,256.00
City of Huntington Park	Insurance and maintenance fees of leased alternative fuel vehicles	1,854.78
City of Long Beach	A duplicated journal entry was incorrectly recorded and related interest	1,479,023
City of South Gate	Allocated administrative costs but did not incur any program costs	6,000.00

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

1. Unallowable Expenditures (Continued)

<u>Fiscal Year 2020</u>	<u>Description</u>	<u>Amount</u>
<u>Orange County</u>		
City of Seal Beach	Operating costs for the Senior Transportation Nutrition Shuttle beyond the three-year operational limit.	\$ 32,612.00

2. Overstatement of MSRC Contract Revenue Recorded in AB 2766 Fund

California Health and Safety Code Section 44220(b), requires that AB 2766 fund revenues shall be used 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.

Los Angeles County

City of Artesia

During fiscal year 2020, the City of Artesia recorded MSRC contract revenue of \$50,000 in the Air Quality Fund. The MSRC contract was for the installation of one “Level II” type EV charging station and one “Level III/Fast Charge” type charging station within the City. According to the MSRC contract, the total project cost would be \$100,000 (\$50,000 to be funded by MSRC contract and \$50,000 to be funded by AB 2766 subvention fund). Per our review of the City’s general ledger and related purchase orders, vendor invoices, and EV rebate receipts, the City originally recorded expenditures of \$227,573.32 for the installation of EV charging stations in the Air Quality Fund. Subsequently, \$220,000 of expenditures were transferred to the Proposition A Local Return Fund (Fund 15); and only \$7,573.32 of expenditures remained in the Air Quality Fund as of June 30, 2020. The City may be over-reimbursed by the MSRC contract in the amount of \$42,426.68 (\$50,000 - \$7,573.32).

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

3. AB 2766 Funds Not Accounted for Separately

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.

Los Angeles County

City of Palos Verdes Estates

The City of Palos Verdes did not have a separate fund to track assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance of the AB 2766 funds. Monies under AB 2766 are commingled with funds received from other governmental agencies and recorded in the Special Projects Fund (Fund 06). However, the City did not separately identify and track assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance of the AB 2766 funds.

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

4. 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 2766 funds by the first Friday in February of each year. For fiscal years 2021 and 2020, the following cities did not submit its annual audited financial statements to the SCAQMD in a timely manner.

<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
<u>Los Angeles County</u> City of Artesia City of Baldwin Park City of Compton City of Cudahy City of Huntington Park City of Lawndale City of Palos Verdes Estates City of South Gate City of South Pasadena	<u>Los Angeles County</u> City of Artesia City of Compton City of Cudahy City of Huntington Park City of South El Monte City of South Gate City of South Pasadena
<u>Orange County</u> City of Placentia City of San Juan Capistrano	
<u>Riverside County</u> City of La Quinta City of Perris City of San Jacinto	
<u>San Bernardino County</u> City of Fontana	<u>San Bernardino County</u> City of Fontana City of Yucaipa

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

5. 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.

Los Angeles County

City of Artesia

The City of Artesia did not submit the audited financial statements to the SCAQMD for fiscal years 2021 and 2020. This has been a repeat finding since fiscal year 2017.

City of Compton

On March 3, 2022, the City of Compton's independent auditor issued a Qualified Opinion on the City's June 30, 2020 financial statements due to material weaknesses noted on its financial reporting, including allocation of cash to various funds has not been properly reconciled and capital assets records were not maintained. Moreover, the Single Audit report for the year ended June 30, 2020, reported numerous material weaknesses and significant deficiencies on its federal programs and internal control over financial reporting. Because of these material weaknesses and significant deficiencies, particularly the finding related to allocation of cash to various funds, it cast doubt on the reliability of the City's financial statements, including the AB 2766 funds financial statements.

The City did not submit its audited financial statements and annual progress report to the SCAQMD by the established deadline for fiscal years 2021 and 2020. The City's annual audit for fiscal year 2020 was completed on March 3, 2022. As of the date of this report, the City's audited financial statements for fiscal year 2021 have not been issued.

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

5. Lack of Controls Over Financial Reporting (Continued)

City of Huntington Park

There were significant delays in closing of the City's books and issuing the City's audited financial statements. The fiscal years 2020 and 2021 audited financial statements were completed on August 10, 2013 and November 16, 2013, respectively.

City of Long Beach

Fiscal year 2020 is the first full fiscal year the City was using the newly implemented ERP system, Tyler Munis. Project Revenue Allocation, a new functionality in Tyler Munis, requires City department users to set up an accounting transaction that allocates project expenditures to their proper funding sources. The project was incorrectly set up and related historical data was also incorrectly converted causing Munis to allocate prior year expenses to AQMD in error, which resulted in a duplicate entry of \$1,467,632.

City of South Gate

On September 21, 2022, the City's independent auditor issued a 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 year ended June 30, 2021. The City's independent auditor identified the following conditions that resulted in material audit adjustments to the City's financial statements:

The year-end closing process was not thorough and did not ensure that account balances were reconciled and accurate in advance of the audit requiring a significant number of adjusting journal entries to correct the financial statements. It appears these errors were primarily caused because the trial balance was prepared from data that was not complete, contained errors and appropriate year-end reconciliations were not performed. Some of the more significant entries were as follows:

- Corrected deferred revenue balance (Approximately \$1.0 million)
- Reclassify negative cash amount at June 30, 2021 (Approximately \$13.5 million)
- Record capital assets and construction in progress addition (Approximately \$22.4 million)
- Record the revenue (Approximately \$2.7 million)
- Record the accrued expense and account payable (Approximately \$1.1 million)

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

SUMMARY OF FINDINGS
For the Years Ended June 30, 2021 and 2020

6. Bank Reconciliations Not Performed in a Timely Manner

Los Angeles County

City of Artesia

According to the City of Artesia's independent auditor, bank reconciliations are not being completed in a timely manner and there is a lack of documentation of approval on the bank reconciliations.

San Bernardino County

City of Rialto

According to the City of Rialto's independent auditors, the City's general checking bank account balance per the general ledger was not reconciled to the bank statements in a timely manner during fiscal years 2021 and 2020. This is considered to be a material weakness in internal control over financial reporting.

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

**LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Years Ended June 30, 2021 and 2020**

	<u>City</u>	<u>Type of Audit</u>	<u>Fiscal Year (s)</u>
	Los Angeles County		
1.	City of Agoura Hills	Agreed Upon Procedures	2020
2.	City of Alhambra	Financial & Compliance	2021 & 2020
3.	City of Artesia	Financial & Compliance	2021 & 2020
4.	City of Baldwin Park	Financial & Compliance	2021
5.	City of Bell Gardens	Agreed Upon Procedures	2021
6.	City of Bellflower	Financial & Compliance	2021
7.	City of Calabasas	Agreed Upon Procedures	2020
8.	City of Cerritos	Agreed Upon Procedures	2021
9.	City of Compton	Financial & Compliance	2021 & 2020
10.	City of Covina	Agreed Upon Procedures	2020
11.	City of Cudahy	Financial & Compliance	2021 & 2020
12.	City of Diamond Bar	Agreed Upon Procedures	2021
13.	City of Duarte	Agreed Upon Procedures	2021
14.	City of El Monte	Financial & Compliance	2021 & 2020
15.	City of El Segundo	Agreed Upon Procedures	2020
16.	City of Glendale	Financial & Compliance	2021 & 2020
17.	City of Hawaiian Gardens	Agreed Upon Procedures	2021
18.	City of Hidden Hills	Agreed Upon Procedures	2020
19.	City of Huntington Park	Financial & Compliance	2021 & 2020
20.	City of La Canada Flintridge	Agreed Upon Procedures	2021
21.	City of Lakewood	Financial & Compliance	2021 & 2020
22.	City of Lawndale	Financial & Compliance	2021
23.	City of Long Beach	Financial & Compliance	2021 & 2020
24.	City of Los Alamitos	Agreed Upon Procedures	2020
25.	City of Malibu	Agreed Upon Procedures	2020
26.	City of Manhattan Beach	Agreed Upon Procedures	2021
27.	City of Maywood	Agreed Upon Procedures	2020
28.	City of Palos Verdes Estates	Financial & Compliance	2021
29.	City of Paramount	Agreed Upon Procedures	2020
30.	City of Pico Rivera	Agreed Upon Procedures	2021
31.	City of Rosemead	Agreed Upon Procedures	2020
32.	City of San Dimas	Agreed Upon Procedures	2021
33.	City of Santa Fe Springs	Agreed Upon Procedures	2020
34.	City of Sierra Madre	Agreed Upon Procedures	2021
35.	City of South El Monte	Financial & Compliance	2020
36.	City of South Gate	Financial & Compliance	2021 & 2020
37.	City of South Pasadena	Financial & Compliance	2021 & 2020
38.	County of Los Angeles	Financial & Compliance	2021 & 2020

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

LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Years Ended June 30, 2021 and 2020
(Continued)

City	Type of Audit	Fiscal Year (s)
Orange County		
39. City of Anaheim	Financial & Compliance	2021 & 2020
40. City of Buena Park	Financial & Compliance	2021 & 2020
41. City of Newport Beach	Financial & Compliance	2021 & 2020
42. City of Placentia	Financial & Compliance	2021
43. City of Rancho Santa Margarita	Agreed Upon Procedures	2021
44. City of San Juan Capistrano	Financial & Compliance	2021
45. City of Seal Beach	Agreed Upon Procedures	2020
46. City of Yorba Linda	Agreed Upon Procedures	2021
47. City of Fountain Valley	Agreed Upon Procedures	2021
48. City of Aliso Viejo	Agreed Upon Procedures	2020
49. City of Laguna Beach	Agreed Upon Procedures	2020
50. County of Orange	Financial & Compliance	2021 & 2020
Riverside County		
51. City of Canyon Lake	Agreed Upon Procedures	2020
52. City of Desert Hot Springs	Agreed Upon Procedures	2021
53. City of Eastvale	Agreed Upon Procedures	2020
54. City of Hemet	Financial & Compliance	2021 & 2020
55. City of La Quinta	Financial & Compliance	2021
56. City of Menifee	Financial & Compliance	2021 & 2020
57. City of Moreno Valley	Financial & Compliance	2021 & 2020
58. City of Palm Desert	Agreed Upon Procedures	2021
59. City of Perris	Financial & Compliance	2021
60. City of San Jacinto	Financial & Compliance	2021
61. City of Temecula	Financial & Compliance	2021 & 2020

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

LIST OF LOCAL GOVERNMENT RECIPIENTS AUDITED
For the Years Ended June 30, 2021 and 2020
(Continued)

<u>City</u>	<u>Type of Audit</u>	<u>Fiscal Year (s)</u>
San Bernardino County		
62. City of Claremont	Agreed Upon Procedures	2021
63. City of Colton	Agreed Upon Procedures	2020
64. City of Fontana	Financial & Compliance	2021 & 2020
65. City of Highland	Agreed Upon Procedures	2021
66. City of Montclair	Agreed Upon Procedures	2020
67. City of Rialto	Financial & Compliance	2021 & 2020
68. City of San Bernardino	Financial & Compliance	2021 & 2020
69. City of Upland	Financial & Compliance	2021
70. City of Yucaipa	Financial & Compliance	2020
71. County of San Bernardino County	Financial & Compliance	2021 & 2020
Consortium		
72. Coachella Valley Association of Governments	Financial & Compliance	2021 & 2020
73. Gateway Cities Council of Governments	Financial & Compliance	2021 & 2020
74. Western Riverside Council of Governments	Financial & Compliance	2021 & 2020

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 YEARS ENDED JUNE 30, 2021 and 2020





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 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, 2021 and 2020. 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, 2021 and 2020 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.

Our procedures and 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, 2021 and 2020 (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

No matters noted.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND COMPLIANCE REQUIRED BY AB 2766

1. Internal Control Environment (Material Weakness)

Los Angeles County

City of West Covina

An important element of internal controls over financial reporting is for the entity to have procedures in place to ensure that all applicable financial reporting guidelines are followed and properly applied.

For fiscal year 2020, the independent auditors of the City of West Covina noted that the City has experienced a high turnover at all levels in the Finance Department. As a result, the request for the Actuarial Valuation report for GASB 75 Accounting Information regarding Other Post-Employment Benefits (OPEB) and GASB 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 was postponed. This matter has been the cause of significant delays in producing complete, reconciled and properly adjusted financial statements and other information.

The City's independent auditors recommended that the City maintain appropriate staffing in the Finance Department which will ensure that the policies and procedures in the year-end review process are properly carried out.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.



2. Errors in Pension Census Data (Material Weakness)

Los Angeles County

City of West Covina

In order for the City to record its liability for providing supplemental pension benefits to eligible participants, it must submit census data to actuaries who use this information to calculate the City's liability.

For fiscal year 2020, the independent auditors of the City of West Covina noted that they were unable to vouch participant information from the census data to source documents.

The City's independent auditors recommended that the City Finance Department review the participant files, ensure only eligible participants are included in the census data to be submitted and maintain proper documentation for the information provided to actuaries.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.

3. Internal Control Over Federal Grant Reporting (Material Weakness)

Los Angeles County

City of West Covina

An important element of internal controls over financial reporting is for the entity to have procedures in place for the accurate completion of the Schedule of Expenditures of Federal Awards (SEFA).

For fiscal year 2020, the independent auditors of the City of West Covina noted that as a result of high turnover at all levels in the City Finance Department, the SEFA has not been prepared by a consistent person and has required multiple revisions.

The City's independent auditors recommended that the City maintain proper staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.



4. Internal Control Over Financial Reporting (Material Weakness)

Riverside County

City of Murrieta

An important element of internal control over cash is the completion of the bank reconciliations to allow City staff to identify any differences between the bank balances and general ledger balances and resolve such differences in a timely manner.

For fiscal year 2020, the independent auditors of the City of Murrieta noted that June 2020 bank reconciliation process was not completed and reviewed by October 2020, which is a lack of timeliness.

The City's independent auditors recommended that all bank accounts be reconciled within 30 days after the end of the month and that all bank reconciliations be initialed and dated by the preparer to indicate that the reconciliation was prepared in a timely manner.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.

5. Internal Control Over Financial Reporting (Significant Deficiency)

Riverside County

City of Murrieta

An important element of internal controls over cash is the reconciliation process to identify differences between the bank and the general ledger and resolve differences timely.

For fiscal year 2020, the independent auditors of the City of Murrieta noted that Bank reconciliations were not completed for the certain bank accounts.

The City's independent auditors recommended that all bank accounts be reconciled to the General Ledger within 30 days after the end of the month.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.



6. Purchasing Approval (Significant Deficiency)

Los Angeles County

City of West Covina

A system of purchasing approval should be established, maintained and updated in a timely manner.

For fiscal year 2020, the independent auditors of the City of West Covina noted that a listing of authorized purchasing approval limit signatures was not updated to reflect changes in authorized personnel.

The City's independent auditors recommended that the City perform an annual review of authorized purchasing approvals on record and make any necessary updates as soon as possible.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.

7. Bank Reconciliation Review (Significant Deficiency)

Los Angeles County

City of West Covina

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

For fiscal year 2020, the independent auditors of the City of West Covina noted that bank reconciliations for various accounts were not reviewed or approved in a timely manner.

The City's independent auditors recommended that all bank reconciliations are reviewed in a timely manner and documentation of when the preparation and review are completed.

According to the City's independent auditors for fiscal year 2021, corrective action has been taken.



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, 2021 and 2020 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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
March 18, 2024



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND

List of Local Government Large Recipients
For the Years Ended June 30, 2021 and 2020

	<u>Local Government</u>	<u>Fiscal Year(s)</u>
	Los Angeles County	
1.	Burbank	2021 and 2020
2.	Carson	2021 and 2020
3.	Downey	2021 and 2020
4.	Hawthorne	2021 and 2020
5.	Inglewood	2021 and 2020
6.	Los Angeles	2021 and 2020
7.	Norwalk	2021 and 2020
8.	Pasadena	2021 and 2020
9.	Pomona	2021 and 2020
10.	Santa Clarita	2021 and 2020
11.	Santa Monica	2021 and 2020
12.	Torrance	2021 and 2020
13.	West Covina	2021 and 2020
14.	Whittier	2021 and 2020
	Orange County	
15.	Costa Mesa	2021 and 2020
16.	Fullerton	2021 and 2020
17.	Garden Grove	2021 and 2020
18.	Huntington Beach	2021 and 2020
19.	Irvine	2021 and 2020
20.	Lake Forest	2021 and 2020
21.	Mission Viejo	2021 and 2020
22.	Orange	2021 and 2020
23.	Santa Ana	2021 and 2020
24.	Tustin	2021 and 2020
25.	Westminster	2021 and 2020
	Riverside County	
26.	Corona	2021 and 2020
27.	County of Riverside	2021 and 2020
28.	Indio	2021 and 2020
29.	Jurupa Valley	2021 and 2020
30.	Murrieta	2021 and 2020
31.	Riverside	2021 and 2020
	San Bernardino County	
32.	Chino	2021 and 2020
33.	Chino Hills	2021 and 2020
34.	Ontario	2021 and 2020
35.	Rancho Cucamonga	2021 and 2020

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, 2021 and 2020





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 2019-20 and 2020-21 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 fiscal years 2019-20 and 2020-21 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 that for the period reviewed (July 1, 2019 through June 30, 2021), the TAC position for a mechanical engineer specializing in vehicle engines was vacant. In addition, we noted that the TAC position for a representative of the Cities of Los Angeles County, reflected vacant position. We noted no other 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 6.25% 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
December 26, 2023

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, 2021 and 2020





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 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, 2021 and 2020. 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, 2021 and 2020 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.

Our procedures and 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, 2021 and 2020 by the MSRC to determine if these projects aligned with the work programs for the fiscal years ended June 30, 2021 and 2020, and if these were properly approved by the South Coast AQMD's Governing Board.

Result

We noted no exceptions in performing this procedure.



2. For the ten projects selected for fiscal years ended June 30, 2021 and 2020, as presented in Attachment A, we verified that the project was proposed under the fiscal years ended June 30, 2021 and 2020 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 (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 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 ended June 30, 2021 and 2020 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) that the expenditures are in accordance with CHSC Section 44235, which prevents AB 2766 fees for the purpose 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.

- 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 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, 2021 and 2020 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 "Simpson & Simpson".

Los Angeles, California
December 26, 2023

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.: MS21002

Contractor: Better World Group Advisors, Inc.

Project Title: Develop sound bites on MSRC programs and projects to use in press releases, speeches, etc.

Project Status*: In Progress

AB 2766 Funding Adopted	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
\$265,079	\$65,222	\$199,857	\$ -	\$65,222

Audit Results: No findings

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

** AB 2766 funding was increased to \$448,154 per Contract Modification No. MS21002E executed on December 21, 2022.

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

Contract No.: MS21003

Contractor: Orange County Transportation Authority

Project Title: Implement a special Orange County Fair service by providing express bus service directly to the Orange County Fair from nine existing transit stations located throughout Orange County on Saturdays and Sundays in 2019 and 2020.

Project Status*: Contract term ended on May 31, 2021

AB 2766 Funding Adopted	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
\$ 468,298	\$ -	\$ 468,298	\$ -	\$ -

Audit Results: No findings

* Project status, amount 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
 (CONTINUED)

Contract No.: MS21005

Contractor: Southern California Association of Governments

Project Title: Serve as implementer of the last-mile project commercial deployment through a sole source contract.

Project Status*: In Progress

AB 2766 Funding Adopted**	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ -</u>

Audit Results: No findings

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

** AB 2766 funding was increased to \$16,751,000 per Contract Modification No. MS21005A executed on August 11, 2022.

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

Contract No.: MS21006

Contractor: Geographics

Project Title: Host and maintain the MSRC website under the www.CleanTransportationFunding.org domain name, including future minor modifications to the website.

Project Status*: In Progress**

AB 2766 Funding Adopted	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
\$ 12,952	\$ 10,465	\$ 2,487	\$ -	\$ 10,465

Audit Results: No findings

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

** Contract term ended on June 20, 2023.

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

Contract No.: MS21009

Contractor: ITS Technologies & Logistics, LLC

Project Title: Procure and place 12 zero emission vehicles into regular service at the Burlington Northern Santa Fe (BNSF) Railway Facility located at 1535 W. 4th Street, San Bernardino, California.

Project Status*: In Progress

AB 2766 Funding Adopted	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
\$ 1,686,900	\$ -	\$ 1,686,900	\$ -	\$ -

Audit Results: No findings

* Project status, amount 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
 (CONTINUED)

Contract No.: MS21013

Contractor: 4 Gen Logistics

Project Title:** Procure and place into regular service 40 Volvo model VNRE6ST battery electric zero emission semi-tractors; and deploy charging infrastructure to support the vehicles.

Project Status*: In Progress

AB 2766 Funding Adopted	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
\$ 7,000,000	\$ -	\$ 7,000,000	\$ -	\$ -

Audit Results: No findings

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

** Project description was modified per Contract Modification No. MS21013C executed on May 30, 2023.

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

Contract No.: MS21014
Contractor: Green Fleet Systems, LLC
Project Title: Procure 5 Mack Anthem near-zero emission trucks.
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	\$ -	\$ 500,000	\$ -	\$ -

Audit Results: No findings

* Project status, amount 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
 (CONTINUED)

Contract No.: MS21017

Contractor: MHX, LLC

Project Title: Procure and place into regular service 10 Tesla Semi Class 8 zero emission vehicles; and procure and install at 13600 Napa Street, Fontana, California, two Tesla Mega-chargers or comparable charging infrastructure to support the vehicles..

Project Status*: In Progress

AB 2766 Funding Adopted	Amount Paid to Date*	Contract Balance*	Questioned Costs	Costs Accepted
\$ 1,900,000	\$ -	\$ 1,900,000	\$ -	\$ -

Audit Results: No findings

* Project status, amount 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
 (CONTINUED)

Contract No.: MS21018

Contractor: Pac Anchor Transportation, Inc.

Project Title: Procure 23 Volvo VNL near-zero emission trucks (equipped with an engine certified by the California Air Resources Board to the Optional NOx standard of 0.02 g/bhp-hr).

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>
\$ 2,300,000	\$ -	\$ 2,300,000	\$ -	\$ -

Audit Results: No findings

* Project status, amount 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
 (CONTINUED)

Contract No.: MS21019

Contractor: Volvo Financial Services

Project Title: Procure 14 Volvo VNR Electric Class 8 zero emission vehicles, and to lease these vehicles to Quality Custom Distribution. Also, procure 8 ABB Terra 184 dual-port electric vehicle chargers and 2 Heliox mobile fast chargers, and to lease this equipment to Quality Custom Distribution.

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>
\$ 3,930,270	\$ -	\$ 3,930,270	\$ -	\$ -

Audit Results: No findings

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