



South Coast Air Quality Management District

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BOARD MEETING DATE: September 7, 2007

AGENDA NO. 24

REPORT: Audit Report of AB 2766 Fee Revenue Recipients for FYs Ending June 30, 2004 and 2005

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 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, July 20, 2007, Recommended for Approval

RECOMMENDED ACTIONS:
Receive and file the report.

Barry R. Wallerstein, D.Env.
Executive Officer

PHP:JK:lg

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 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 and subvended to the AQMD for distribution as follows: from every one dollar collected, thirty cents (30 percent) goes to support AQMD-approved programs for the reduction of emissions from mobile sources; forty cents (40 percent) is placed in the Air Quality Improvement Trust Fund for quarterly disbursement to local governments; and thirty cents (30 percent) is placed in the Mobile Source Air Pollution Reduction Trust Fund for projects awarded by the Mobile Source Air Pollution Reduction Review Committee (MSRC) under a work program approved by the AQMD's Board.

AQMD's portion of the revenue subvended from the Department of Motor Vehicles is classified as general fund revenue and utilized to fund the mobile-related components of AQMD programs. Fees subvended to local governments are utilized to fund mobile source emission reduction programs. Fees allocated to the MSRC are used to fund projects pursuant to a work program developed and adopted by the MSRC and approved by the AQMD Board. The funding mechanism for MSRC projects is a contractual agreement between the AQMD and the entity implementing the project and includes the audit requirements stated under AB 2766.

AB 2766 Audit Requirement

Health and Safety Code Section 44244.1 states that any agency receiving fee revenues shall, at least once every two years, be subject to an audit of each program or project funded. The audit is to be conducted by an independent auditor selected by the AQMD through a competitive bid process. Based on an opinion issued by the Attorney General of the State of California, the audit is to report on the propriety of expenditures made under AB 2766 -- not their efficacy in reducing air pollution.

This is the seventh biennial audit of AB 2766 revenues. The audit covered the AQMD's use of the money, projects funded by the MSRC, and the use by selected local governments of the fee revenues. The audit was based on the audit guidelines described below.

To assist local government compliance with the audit requirements of the law, in December 1992 the AQMD developed audit program guidelines for local government fee recipients. The guidelines were prepared in consultation with the Technical Advisor Committee (TAC) Audit Subcommittee of the AQMD's Interagency AQMP Implementation Committee (IAIC). The elements of the audit program were reviewed with representatives of the Finance Committee of the California League of Cities and with Certified Public Accountants whose clients include local governments. The final audit program guidelines were approved by the AQMD Board on December 4, 1992 and updated with additional clarifications on January 13, 1995 and August 1, 2003.

In accordance with the audit program guidelines provided to the local governments for their 40% share, local governments are to submit an annual financial report and progress report to the AQMD. The financial reporting requirements are stratified based upon the annual dollar amount of revenues received. Large recipients (annual receipts more than \$100,000) may elect to meet the financial reporting requirement by:

- Separately disclosing the financial results of AB 2766 revenue receipts and submitting an audited general purpose financial statement, a report on internal controls, and a report on compliance with AB 2766 laws and regulations; or

- Submitting an audited Grants Receipts and Expenditures Statement along with a Report on Internal Controls and Report on Compliance with AB 2766 laws and regulations; or
- Submitting to an audit of grants receipts and expenditures by a firm selected by the AQMD.

For small recipients (annual receipts of less than \$100,000) the financial report shall consist of their audited general-purpose financial statement. Small recipients that submit annual audited financial statements shall form a pool from which, once every two years, a sample of 10% of participants will be selected for an audit by an independent auditor selected by the AQMD. In November 2006, the AQMD Board approved an award for the performance of the audit to the firm of Simpson & Simpson, Certified Public Accountants.

In accordance with Section 44244.1 of the Health and Safety Code if, after reviewing the audit, the AQMD determines that the revenues from the fees have been expended in a manner which is contrary to the Health and Safety Code, or which will not result in the reduction of air pollution from motor vehicles, it shall do all of the following:

1. Notify the agency of its determination;
2. Hold a public hearing within 45 days of the notification to allow the affected agency to present information related to the expenditure of the revenues from fees; and
3. After the public hearing if it is determined that the agency has expended the revenues from the fees in a manner contrary to the Health and Safety Code, or which will not result in reduction of air pollution from motor vehicles, the AQMD shall withhold these revenues from the agency in an amount equal to the amount which was inappropriately expended. Revenues withheld shall be redistributed to the other agencies, or upon approval of the AQMD Board, to entities specified in the work programs developed by the MSRC.

Audit Summary

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

The audit of the 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 the AQMD's use of the AB 2766 revenues was \$5,200, paid from the AQMD's portion of the fee revenues.

Local Government Use of AB 2766 Fee Revenues – Segment 2

Over \$37.9 million was distributed to local jurisdictions during the two-year audit period (FYs 2003-04 and 2004-05). During this period there were a total of 154 cities and 4 counties receiving subvention funds from motor vehicle registration fees.

Of these, 42 local governments in FY 2003-04 and 43 in FY 2004-05 received over \$100,000 annually (large recipients). Forty-two (42) large recipients were in compliance with audit guidelines in FY 2003-04 and forty-three (43) in FY 2004-05. Simpson & Simpson Certified Public Accountants performed a desk review on thirty-three (33) compliant large recipients. Please note that ten (10) compliant recipients elected to meet their financial reporting requirements by agreeing to have the independent audit firm selected by the AQMD conduct an audit of their AB 2766 grants receipts and expenditures for both FYs.

There were 116 small recipients in FY 2003-04 and 115 in FY 2004-05. Of these, 92 were in compliance in FY 2003-04 and 80 were in compliance in FY 2004-05. From this compliant pool, 16 cities were selected to be audited. There were 24 noncompliant small local governments in FY 2003-04 and 35 in 2004-05. These were audited in addition to the pool cities.

Audits were performed on 65 local government recipients, of which 19 cities had no audit findings. Of the 46 cities with findings, there were a total of 68 findings noted. A desk review was completed for 33 large recipients in FY 2003-04 and 33 large recipients in FY 2004-05, which resulted in 4 findings. The summary reports of audit findings for local governments are included in Attachment II. A Summary of Audit Findings for Local Governments is provided in Attachment III.

Of the total 72 findings, all of the findings have been resolved, which eliminates the need for a public hearing. Noncompliance items included: administrative costs in excess of the five percent cap (8-findings - \$43,483); unallowable expenditures (6 findings - \$78,350); unsupported expenditures (12 findings - \$284,599); annual audited financial statements not submitted or submitted untimely (39-findings - \$0); interest earnings not allocated (2 findings - \$4,544); due from other funds was not collected in a timely manner (1 finding - \$0); untimely use of funds (1 finding - \$0); failure to maintain a separate schedule of fixed assets (1 finding - \$0); and did not maintain separate Air Quality Improvement Trust Fund (2 findings - \$0).

Local governments are permitted to pool their resources for implementing the requirements for the use of AB 2766 funds. The following three entities were in existence during FYs 2003-04 and 2004-05 and were also audited:

- San Gabriel Valley Council of Governments (includes 27 cities in the San Gabriel Valley);
- Coachella Valley Association of Governments (CVAG) (includes the cities of Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage); and
- Southeast Los Angeles County (SELAC) also known as Gateway Cities (includes 26 cities in South East Los Angeles).

Of the three entities audited, all were found to be in full compliance with all AB 2766 requirements.

Local governments were provided with draft audit reports by the audit firm with a request to respond with clarifications and additional information. Their responses are included in the reports. Staff has forwarded a copy of the final report to the affected local governments and has resolved all findings.

The total cost to audit the local government recipients was \$76,048. The cost of the audit of the pool cities was prorated among all the cities in the compliant pool. In addition, the cost of the non-compliant local governments will be borne by the agency being audited.

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

As part of the annual work program, the MSRC awarded funding to 59 projects in FY 2003-04 and 70 projects in FY 2004-05, for a total amount of \$35,219,161.

For the discretionary portion of the funds, the scope of the audit included projects randomly selected from the Work Program awarded by the MSRC in FYs 2003-04 and 2004-05. The auditors have issued two summary reports (Attachment IV).

The audits of the randomly selected projects from the MSRC work program resulted in no findings. The MSRC reviewed the summary audit report at its meeting on July 19, 2007. The \$7,200 cost of auditing MSRC recipients will be deducted from the fee revenues subvended to the MSRC in FY 2006-2007.

Attachments

- I. AQMD's Use of AB 2766 Fee Revenues – Segment 1
- II. Local Government Use of AB 2766 Fee Revenues Summary Audit Reports – Segment 2 and Segment 2-Subgroup 1
- III. Summary of Audit Findings for Local Governments
- IV. MSRC's Use of AB 2766 Fee Revenues Summary Audit Report – Segment 3
- IV A. Segment 3 – Projects

Due to the large number of audit reports, Attachment III is a summary report. The detailed audit reports for each local government recipient and MSRC audited contracts are available for review at the AQMD's library.

Attachment I

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

AGREED-UPON PROCEDURES REVIEW OF

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

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

AIR QUALITY IMPROVEMENT FUND

***AGREED-UPON PROCEDURES REVIEW OF
AB 2766 DISCRETIONARY FUND***

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INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Governing Board
South Coast Air Quality Management District
Diamond Bar, California

We have performed the procedures described in Attachment A to this report, which were agreed to by the South Coast Air Quality Management District (SCAQMD), solely to assist you with respect to determining whether automobile registration fee revenues (AB 2766 funds) received by the SCAQMD during fiscal years 2004-05 and 2003-04 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 standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A, either for the purpose for which this report has been requested or any other purpose.

ENGAGEMENT SCOPE AND METHODOLOGY

We performed the procedures in accordance with the requirements of our Contract No. _____. Our field work began on December 27, 2006 and was completed on March 2, 2007

Generally, our procedures consist of: 1) obtaining an understanding of SCAQMD's accounting and financial reporting systems for the receipt and use of AB 2766 funds; 2) obtaining an understanding of SCAQMD's system of internal controls as they relate to the receipt and use of AB 2766 funds in order to establish the nature and extent of substantive testing of transactions, and 3) reviewing and analyzing, on a test basis, documentation supporting the receipt and use of AB 2766 funds in accordance with the California Clean Air Act of 1988 under the provisions of the CHSC Section 44220(a).

RESULTS OF THE PROCEDURES

We found no exception in the application of the procedures as described in Attachment A.

LIMITATIONS AND RESTRICTIONS

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. 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 those specified parties.

Los Angeles, California
March 2, 2007

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND

LISTING OF AGREED-UPON PROCEDURES

1. We obtained an understanding of how the SCAQMD accounts for AB 2766 funds, including whether the AB 2766 funds were maintained in a separate fund or if there was a separate accounting of the AB 2766 funds maintained by another means.
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.
3. We obtained the California Department of Motor Vehicle's (DMV) fee distribution record for AB 2766 revenues and agreed them to the SCAQMD's AB 2766 revenues recorded in the general ledger. We reconciled any differences.
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).
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.
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.
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.
8. We tested AB 2766 direct and indirect non-labor project expenditures for each year to determine:

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AIR QUALITY IMPROVEMENT FUND

LISTING OF AGREED-UPON PROCEDURES
(Continued)

- a) allowability, reasonableness, properly supported, 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.
9. We tested AB 2766 direct payroll expenditures, reviewed related payroll registers and employee records to verify hours worked, mathematical accuracy and salary rates.
 10. We analyzed AB 2766 administrative expenditures to verify, in accordance with CHSC Section 44233, the SCAQMD did not use more than 5% of the AB 2766 fees distributed for administrative expenditures.
 11. We analyzed AB 2766 expenditures to verify, in accordance with CHSC Section 44244.1(d), the SCAQMD expended AB 2766 fees within one year of the program or project completion date.
 12. We obtained the SCAQMD reports to verify, in accordance with CHSC Section 44247, that the SCAQMD submitted a report to the State Board on the use of the fees and results of the programs funded and to verify that the SCAQMD's control measures were in compliance with Title 42 of the United States Code control measures.

Attachment II

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

AGREED-UPON PROCEDURES REVIEW OF

***AIR QUALITY IMPROVEMENT FUND
FINANCIAL AND COMPLIANCE REPORTS
(Segment 2 – Subgroup 1)***

For the Years Ended June 30, 2005 and 2004

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Governing Board
South Coast Air Quality Management District
Diamond Bar, California

We have performed the procedures described below, which were agreed to by the South Coast Air Quality Management District (SCAQMD), with respect to summarizing instances of noncompliance reported in financial statement audit reports and compliance reports submitted to the SCAQMD by cities that received automobile registration fee revenues (AB 2766 funds) from the SCAQMD in the fiscal years ended June 30, 2005 and 2004. The reports include instances of noncompliance with respect to whether AB 2766 funds were spent on the reduction of air pollution from motor vehicles 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). This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The SCAQMD's management is solely responsible for the sufficiency of these procedures. 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.

ENGAGEMENT SCOPE AND METHODOLOGY

We performed the procedures in accordance with the requirements of our Contract No. 07136. Our procedures consisted of: 1) obtaining financial statements, audit reports and compliance reports from the SCAQMD for cities that received more than \$100,000 per year in AB 2766 funds for the fiscal years ended June 30, 2005 and 2004 and submitted progress reports, audited financial statements and compliance reports for their Air Quality Improvement Fund to the SCAQMD for each fiscal year. A list of these cities is in Attachment A; 2) identifying instances of noncompliance and internal control weaknesses reported in the reports; and 3) summarizing the instances of noncompliance identified.

RESULTS OF THE PROCEDURES

Our performance of the procedures resulted in the following summary of reported instances of noncompliance and internal control weaknesses.

NONCOMPLIANCE:

1. Administrative Costs in Excess of Cap

According to the Health and Safety Code Section 44233, no more than 5% of the fees subvented shall be used for administrative costs. We noted that the following cities did not comply with this requirement and have exceeded the 5% administrative cap:

<u>Fiscal Year 2005</u>	<u>Amount in Excess of CAP</u>	<u>Fiscal Year 2004</u>	<u>Amount in Excess of CAP</u>
City of Compton	\$ 238	County of Riverside	\$ 6,187

2. Submission of Annual Progress Report

The SCAQMD requires that AB 2766 recipients submit annual progress report by the first Friday in February of each year. During fiscal year 2004, the City of South Gate did not submit its fiscal year 2003 annual progress report to the SCAQMD in a timely manner.

3. Submission of Annual Audited Financial Statements and Progress Report

The SCAQMD requires that AB 2766 recipients submit annual audited financial statements and progress report by the first Friday in February of each year. For fiscal years 2005 and 2004, the City of Compton did not submit its annual audited financial statements and annual progress reports to the SCAQMD in a timely manner.

INTERNAL CONTROL WEAKNESSES:

1. Year-end Closing, Account Analysis and Preparing For the Audit (*Reportable Conditions*)

For fiscal year 2005, the Controller's Office of the City of Compton did not provide an adjusted, closed trial balance to its Air Quality Improvement Fund's Auditor. Analysis of the general ledger accounts was not performed. This resulted in numerous adjustments to the trial balance relating to the correction of errors and/or the recording of usual year-end adjustments. Schedules summarizing the year-end balances for Accounts Payable, Accrued Payroll and Retentions Payable were also not provided.

For fiscal year 2004, the Controller's Office of the City of Compton did not take sufficient care in the year-end closing. Analysis of the general ledger accounts was not performed. This resulted in numerous adjustments to the closed trial balance relating to the correction of errors and/or the recording of usual year-end adjustments that had been omitted.

2. Accounting Policies and Procedures Manual (*Reportable Conditions*)

For fiscal years 2005 and 2004, the City of Compton has policies and procedures for cash disbursement only.

3. Bank Reconciliations (*Reportable Conditions*)

For fiscal year 2005, the City of Compton did not prepare bank reconciliations in a timely manner. None of the bank reconciliations reviewed was dated. In addition, for the month of April 2005, eight out of thirty bank accounts reviewed did not have bank reconciliations prepared. The City has unusually large number of bank accounts. These bank accounts are not reconciled by a single accountant. There is no one comprehensive reconciliation performed that reconciles total cash in the general ledger to all the bank accounts. We also noted that stale dated checks are not investigated and re-issued or written-off unless initiated by the vendor.

For fiscal year 2004, the City of Compton did not prepare bank reconciliations in a timely manner. A number of bank reconciliations were not dated or initialed by the preparer and/or were not initialed by the reviewer.

4. Cash and Investments (*Reportable Conditions*)

We noted the following conditions on cash and investments for the City of Compton during fiscal year 2005:

- The Investment Reports for the periods ending October 31, 2004 and June 30, 2005 were not submitted to the City Council within 30 days following month end as required by Government Code Section 53646 (b) (1).
- The Investment Reports for the periods ending October 31, 2004 and June 30, 2005 did not include investments held by third parties (fiscal agents) as required by Government Code Section 53646 (b) (1).
- The Investment Reports for the periods ending October 31, 2004 and June 30, 2005 did not include a statement regarding the City's ability to meet expenditures for the next six months as required by Government Code Section 53646 (b) (3).
- The Investment Report for the period ending June 30, 2005 was not submitted to the California Debt and Investment Advisory Commission within 60 days following year end as required by Government Code Section 53646 (g).
- Bank deposits included in the Investment Reports reflect general ledger balances which are not reconciled in a timely manner.
- Investment transactions occurring during the fiscal year are recorded only at year end.
- The City did not obtain monthly statements of account for an investment for several consecutive months. Interest earned in this account was not recorded in the general ledger.
- There is no procedure in place to ensure that investment transactions and inter-bank transfers are reviewed and approved.

5. Journal Entries (*Reportable Conditions*)

For fiscal year 2004, we noted that the City of Compton's journal entries that were tested were not reviewed and approved by someone independent of the preparer. In addition, persons preparing journal entries were also recording the same entries in the general ledger.

LIMITATIONS AND RESTRICTIONS

These procedures did not constitute an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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 those specified parties.

Los Angeles, California
March 6, 2007

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

List of Local Government Recipients
For the Years Ended June 30, 2005 and 2004

	City	Fiscal Years
	Los Angeles County	
1	Burbank	2005 and 2004
2	Carson	2005 and 2004
3	Compton	2005 and 2004
4	Downey	2005 and 2004
5	El Monte	2005 and 2004
6	Inglewood	2005 and 2004
7	Long Beach	2005 and 2004
8	Los Angeles	2005 and 2004
9	Norwalk	2005 and 2004
10	Pasadena	2005 and 2004
11	Pomona	2005 and 2004
12	Santa Clarita	2005 and 2004
13	Santa Monica	2005 and 2004
14	South Gate	2005 and 2004
15	Torrance	2005 and 2004
16	West Covina	2005 and 2004
	Orange County	
17	Anaheim	2005 and 2004
18	Costa Mesa	2005 and 2004
19	Fullerton	2005 and 2004
20	Garden Grove	2005 and 2004
21	Irvine	2005 and 2004
22	Huntington Beach	2005 and 2004
23	Mission Viejo	2005 and 2004
24	Orange	2005 and 2004
25	Santa Ana	2005 and 2004
26	Westminster	2005 and 2004

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

List of Local Government Recipients
For the Years Ended June 30, 2005 and 2004
(Continued)

City	Fiscal Years
Riverside County	
27 Corona	2005 and 2004
28 County of Riverside	2005 and 2004
29 Riverside	2005 and 2004
San Bernardino County	
30 Fontana	2005 and 2004
31 Ontario	2005 and 2004
32 Rancho Cucamonga	2005 and 2004
33 San Bernardino	2005 and 2004

ATTACHMENT III
Summary of Audit Findings for Local Governments

CITY/COUNTY AUDITED	FISCAL YEAR	AMOUNT IN QUESTION	DESCRIPTION	CITY/COUNTY RESPONSE	RESOLUTION STATUS
Local Government's use of AB 2766 Fee Revenues - Segment 2					
The following is a list of findings for Segment 2 grouped by categories:					
Unallowable Expenditures					
Hawaiian Gardens	03-04 & 04-05	\$ 1,903	Smog Check & Generator Permits	City has taken corrective actions	Resolved-City provided documentation demonstrating that it repaid the fund.
Hawthorne	03-04 & 04-05	20,649	Mounted Police Officer Salaries & Benefits	City responded that it will repay the fund.	Resolved-City provided documentation demonstrating that it repaid the fund.
La Habra	04-05	4,892	Unrelated Legal Expense	City discovered the error prior to audit and reimbursed the Fund 8/31/05	Resolved- City sent in documentation showing that the Fund was reimbursed when the coding error was discovered in Aug 2005. City took corrective action prior to being audited.
Canyon Lake	03-04 & 04-05	49,835	Mounted & Bicycle Police Officer Salaries & Benefits	City agrees with finding.	Resolved-City provided documentation demonstrating that it repaid the fund.
County of San Bernardino	03-04 & 04-05	747	Unrelated Dues & Memberships	County agrees with finding and will reimburse fund.	Resolved- County sent documentation demonstrating that it replaced the funds.
Stanton	03-04	324	School Bus Fees for Children's Field Trip	City agrees with finding, expenditures was coded to wrong fund	Resolved- City agrees to have the amount withheld from future disbursements.
	Sub-total	<u>\$ 78,350</u>			
Unsupported Expenditures					
Glendale	03-04 & 04-05	\$ 16,139	Direct Labor Charges were based on a predetermined percentage and were not supported by time cards or time studies.	City agrees with finding and will work with their finance department to make that the guidelines are followed.	Resolved-City sent documentation to support the expenditures.
Fountain Valley	04-05	9,102	Direct Labor Charges were based on a predetermined percentage and were not supported by time cards or time studies.	City agrees with finding and no longer charge Direct Labor to Fund. City will purchase alt. fuel vehicles.	Resolved-City sent documentation to support the expenditures.
Rialto	03-04 & 04-05	18,028	Direct Labor Charges were based on a predetermined percentage and were not supported by time cards or time studies.	As result of the FY 02-03 Audit conducted in FY 04-05, the city implemented a time card system. These expenditures were prior to the completion of the FY 02-03 audit.	Resolved-City provided documentation demonstrating that it repaid the fund.
Hawthorne	03-04 & 04-05	63,183	No warrant or other source document to support expenditures charged against their AB 2766 Fund.	City responded that it will repay the fund.	Resolved-City provided documentation demonstrating that it repaid the fund.
Hawaiian Gardens	03-04	2,975	No warrant or other source document to support expenditures charged against their AB 2766 Fund.	City has taken corrective actions	Resolved-City provided documentation demonstrating that it repaid the fund.
San Marino	03-04	677	No warrant or other source document to support expenditures charged against their AB 2766 Fund.	City is going to provide a copy of the invoice.	Resolved- City provided a copy of the invoice.
County of San Bernardino	03-04	2,020	No warrant or other source document to support expenditures charged against their AB 2766 Fund.	County agrees with finding and will reimburse fund.	Resolved- County sent documentation demonstrating that it replaced the funds.
Cypress	04-05	10,415	Administrative Expenses Charges were based on predetermined percentage and the city was unable to provide documentation to support the allocation method.	City agrees with finding and will reimburse fund.	Resolved-City provided documentation demonstrating that it repaid the fund.
Sierra Madre	04-05	600	Indirect cost were charged based on a predetermined percentage and the city was unable to provide source documentation to support the allocation method.	The city is going to provide source document	Resolved-City provided documentation demonstrating that it repaid the fund.
Glendora	03-04 & 04-05	8,397	Indirect Labor Charges were based on a predetermined percentage and were not supported by time cards or time studies. The was unable to provide documentation to support the allocation method.	The city will monitor time spent on AB 2766 programs	Resolved- City provided documentation to support the expenditures.
La Mirada	03-04	2,863	Indirect Labor Charges were based on a predetermined percentage and were not supported by time cards or time studies. The was unable to provide documentation to support the allocation method.	The city will maintain supporting documentation	Resolved -City agreed to have the amount of the finding withheld from future disbursements

ATTACHMENT III
Summary of Audit Findings for Local Governments

CITY/COUNTY AUDITED	FISCAL YEAR	AMOUNT IN QUESTION	DESCRIPTION	CITY/COUNTY RESPONSE	RESOLUTION STATUS
Unsupported Expenditures (cont.)					
County of San Bernardino	03-04 & 04-05	150,200	Indirect Labor Charges were based on a predetermined percentage and were not supported by time cards or time studies. The was unable to provide documentation to support the allocation method.	County agrees with finding and will reimburse fund.	Resolved- County sent documentation demonstrating that it replaced the funds.
	Sub-total	<u>\$ 284,599</u>			
Administrative Expenses Exceed 5% Cap					
Hawthorne	03-04 & 04-05	\$ 20,461	Administrative Costs exceeded the 5% Cap.	City responded that it will repay the fund.	Resolved-City provided documentation demonstrating that it repaid the fund.
Glendora	03-04 & 04-05	1,475	Administrative Costs exceeded the 5% Cap.	The city will monitor time spent on AB 2766 programs	Resolved -City agreed to have the amount of the finding withheld from future disbursements
Alhambra	03-04	225	Administrative Costs exceeded the 5% Cap.	City agreed with finding.	Resolved -City agreed to have the amount of the finding withheld from future disbursements
Compton	04-05	238	Administrative Costs exceeded the 5% Cap.	City has put in procedures to monitor AB 2766 administrative expense	Resolved -City agreed to have the amount of the finding withheld from future disbursements
San Jacinto	04-05	787	Administrative Costs exceeded the 5% Cap.	City agreed with finding.	Resolved-City provided documentation demonstrating that it repaid the fund.
County of Orange	03-04	11,305	Administrative Costs exceeded the 5% Cap.	County agreed with finding	Resolved-County agreed to have future disbursements withheld.
County of Riverside	03-04	6,178	Administrative Costs exceeded the 5% Cap.	County implemented procedures to charge administrative expense after revenues are received.	Resolved-Based on the audit report the County charged administrative expense prior to receiving the 4th qtr disbursement. DMV was late in sending the June 05 collections and the County didn't receive their 4th qtr disbursement until 60 days after FYE and couldn't record it in FY 04-05. Once the FY 04-05 4th qtr disbursement was received in Sept 06 the County was compliant with the administrative cap.
Calimesa	03-04	<u>2,814</u>	Administrative Costs exceeded the 5% Cap.	City agreed with finding	Resolved-City provided documentation demonstrating that it repaid the fund.
	Sub-total	<u>\$ 43,483</u>			
No Allocation of Interest Earnings					
Hawaiian Gardens	04-05	\$ 3,241	City did not allocate interest earnings	City has taken corrective actions	Resolved-City provided documentation demonstrating that it repaid the fund.
Sierra Madre	04-05	1,303	City did not allocate interest earnings	City is going to reimburse the fund	Resolved- City sent documentation demonstrating that it repaid the fund.
	Sub-total	<u>\$ 4,544</u>			
Due From/To Other Funds were not Collected/Paid in a Timely Manner					
County of San Bernardino	03-04 & 04-05	\$ -	Balances in these accounts have been carried over since FY 02-03	The County will monitor and process payments in timely manner.	Resolved - The County will process the necessary Due From/To fund balances in FY 06-07
Untimely Use of Funds					
Placentia	04-05	\$ -	The city did not have a plan for future use of unexpended AB 2766 Funds as of June 30, 2005.	The city will implement plans for future use of funds.	Resolved
Failure to Maintain a Schedule of Fixed Assets					
Stanton	03-04	\$ -	The city did not maintain a current listing of fixed assets purchased with AB 2766 funds for FY 03-04.	City agrees with finding.	Resolved - City will add Fund # to current listing of fixed assets.

ATTACHMENT III
Summary of Audit Findings for Local Governments

CITY/COUNTY AUDITED	FISCAL YEAR	AMOUNT IN QUESTION	DESCRIPTION	CITY/COUNTY RESPONSE	RESOLUTION STATUS
Failure to Maintain a Separate Air Quality Improvement Fund (AQIF)					
Commerce	03-04 & 04-05	\$ -	The city did not maintain a separate AQIF.	The City agreed with the finding and set up a separate fund.	Resolved - The City has a Separate Air Quality Improvement Fund.
County of San Bernardino	03-04 & 04-05	-	The county did not maintain a separate AQIF.	The County will separately report other revenues and expenditures that are not associated with AB 2766.	Resolved - The County has a Separate Air Quality Improvement Fund.
Sub-total		\$ -			
Submission of Annual Audited Financial Statements and Progress Reports					
Artesia	03-04 & 04-05	\$ -	The city did not submit audited financial statements.	City agreed to comply	Resolved-City stated that all future statements will be submitted on time.
Beaumont	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Beverly Hills	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City stated that it will meet the 1st Friday in February deadline.
Calimesa	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-City stated that all future statements will be submitted on time.
Canyon Lake	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City will request an extension and submit reports on time.
Coachella Valley	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Compton	03-04 & 04-05	-	The city did not submit audited financial statements in a timely manner	City agreed to comply	Resolved- City will start the audit earlier in order to submit reports on time.
Cudahy	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-The city did receive their Financial Statements until July 2006
Cypress	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Dana Point	03-04	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Desert Hot Springs	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Duarte	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Gardena	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-Staff that was responsible for submitting the report was out on medical leave, city will submit on time.
Glendora	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Hawaiian Gardens	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Hidden Hills	04-05	-	The city did not submit audited financial statements.	City sent the statements in late.	Resolved - City has stated that it will submit Financial Statements on time.
Indio	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
La Habra	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
La Habra Heights	03-04	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
La Verne	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Laguna Hills	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-City will confirm with AQMD to make sure Financial Statements were received.
Laguna Niguel	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Laguna Woods	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Lake Elsinore	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Lawndale	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Loma Linda	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Maywood	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-City sent in 05-06 statements on time. Due to high turnover in staff city was not aware of the requirement.
Murrieta	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Pico Rivera	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Placentia	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
San Gabriel	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City claims they submitted on time but has no record. City will send CAFR in PDF format.
San Jacinto	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-City has taken steps to facilitate future compliance
San Marino	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City claims they submitted on time but has no record. City will send CAFR in PDF format.
Sierra Madre	04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved-City will submit Financial Statements as soon as their audit is completed
South Gate	03-04	-	The city sent progress report in late	City agreed to comply	Resolved-City stated that it will submit on time.
South El Monte	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
South Pasadena	03-04	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
Temecula	03-04	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - Since 04-05 the city has submitted Financial Statements on time.
	03-04 & 04-05	-	The city did not submit audited financial statements.	City agreed to comply	Resolved - City has stated that it will submit Financial Statements on time.
		\$ -			
Total Findings		\$ 410,976.00			

Attachment IV

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

AGREED-UPON PROCEDURES REVIEW OF

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

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

***MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND***

***AGREED-UPON PROCEDURES REVIEW OF
AB 2766 DISCRETIONARY FUND***

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Governing Board
South Coast Air Quality Management District
Diamond Bar, California

We have performed the procedures described in Attachment A of this report, which were agreed to by the South Coast Air Quality Management District (SCAQMD), with respect to determining whether automobile registration fee revenues (AB 2766 funds) distributed to the Mobile Source Air Pollution Reduction Review Committee (MSRC) during fiscal years (FY) 2004-05 and 2003-04 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) and the MSRC work programs prepared pursuant to CHSC Section 44244. The agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Accountants. The SCAQMD's management is solely responsible for the sufficiency of these procedures. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or any other purpose.

ENGAGEMENT SCOPE AND METHODOLOGY

We performed the procedures in accordance with the requirements of our Contract No. 07136. Our field work began on December 27, 2006 and was completed on March 2, 2007.

Generally, our procedures consist of: 1) obtaining an understanding of the MSRC's accounting and financial reporting systems for the receipt and use of AB 2766 funds; 2) obtaining an understanding of the MSRC's system of internal controls as they relate to the receipt and use of AB 2766 funds in order to establish the nature and extent of substantive testing of transactions; 3) selecting a random sample of projects for review from the MSRC's FY 2004-05 and FY 2003-04 AB 2766 Discretionary Fund Work Programs; and 4) reviewing and analyzing, on a test basis, documentation supporting the receipt and use of AB 2766 funds in accordance with the California Clean Air Act of 1988 under the provisions of the CHSC Section 44220(a).

RESULTS AND RECOMMENDATIONS

We found no exceptions in the application of the procedures as described in Attachment A.

LIMITATIONS AND RESTRICTIONS

The procedures described in Attachment A did not constitute an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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 of the governing board and management of the SCAQMD. This restriction is not intended to limit the distribution of this report which, upon acceptance by the SCAQMD, is a matter of public record.

Los Angeles, California
March 2, 2007

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND

LISTING OF AGREED-UPON PROCEDURES

1. We reviewed the list of the MSRC members to verify that, in accordance with CHSC Section 44244(a), the Committee consists of a representative from each of the specified eight agencies.
2. In accordance with CHSC Section 44244(b), we verified that the MSRC developed and adopted work programs for FY 2004-05 and FY 2003-04 that were approved by the SCAQMD Board.
3. We reviewed the list of Technical Advisory Committee (TAC) members to verify that the membership of TAC is in accordance with the specifications of CHSC Section 44244(c).
4. We obtained the MSRC's written guidelines and procedures to verify, in accordance with CHSC Section 44244(d), that the MSRC prepared, adopted and made available to the public clear and concise guidelines and procedures for conducting the projects proposed for funding under the July 1, 2003 and 2004 work programs.
5. We obtained an understanding of how AB 2766 funds are accounted for, including whether AB 2766 funds are maintained in a separate fund entitled the Mobile Source Air Pollution Reduction Fund.
6. We obtained an understanding of established internal control procedures related to the receipt and use of AB 2766 funds.
7. We agreed AB 2766 revenues recorded in the Mobile Source Air Pollution Reduction Fund general ledger to the SCAQMD's record of disbursements. We reconciled any differences.
8. We conducted interviews in order to obtain an understanding of how the SCAQMD allocates interest earned and recomputed the interest allocation.

9. We vouched AB 2766 expenditures of the Mobile Source Air Pollution Reduction Fund 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), 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;
 - c) in accordance with CHSC Section 44235, that MSRC did not use AB 2766 fees for the purpose of establishing or maintaining SCAQMD as a direct provider of the car pool, vanpool, or other ridesharing or transit services; and
 - d) in accordance with CHSC Section 44244(e) that MSRC's funds were not allocated to the SCAQMD.
10. We vouched AB 2766 expenditures to verify, in accordance with CHSC Section 44233, that MSRC did not use more than 5% of AB 2766 fees distributed for administrative expenditures.
11. We vouched AB 2766 expenditures to verify, in accordance with CHSC Section 44244.1(d), that MSRC expended funds within one year of the program or project completion date.
12. We reviewed the SCAQMD's financial statements to verify that the Mobile Source Air Pollution Reduction Fund was audited as part of the SCAQMD's annual audit conducted by an independent CPA firm.

Attachment IV A

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

***MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND***

***AGREED-UPON PROCEDURES REVIEW OF
AB 2766 DISCRETIONARY FUNDING***

***FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(Segment 3 – Projects)***

***MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND
AGREED-UPON PROCEDURES REVIEW OF
AB 2766 DISCRETIONARY FUNDING***

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Governing Board
South Coast Air Quality Management District
Diamond Bar, California

We have performed the procedures described in Attachment A of this report, which were agreed to by the South Coast Air Quality Management District (SCAQMD), with respect to determining whether automobile registration fee revenues (AB 2766 funds) awarded by the Mobile Source Air Pollution Reduction Review Committee (MSRC) during fiscal years (FY) 2004-05 and 2003-04 were spent on the reduction of air pollution from motor vehicles pursuant to the California Clean Air Act of 1988, or the SCAQMD's Air Quality Management Plan (AQMP) prepared pursuant to Article 5 of Chapter 5.5 of Part 3 of the California Health and Safety Code (CHSC). These AB 2766 funds were allocated within the MSRC's FY 2004-05 and FY 2003-04 AB 2766 Discretionary Fund Work Programs. The agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The SCAQMD's management is solely responsible for the sufficiency of these procedures. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or any other purpose.

ENGAGEMENT SCOPE AND METHODOLOGY

We performed the procedures in accordance with the requirements of our Contract No. 07136. Our fieldwork began on January 16, 2007 and was completed on February 13, 2007. We randomly selected ten contracts (Contracts) from the various funding categories for testing from the work programs adopted by the MSRC and approved by the SCAQMD Governing Board for FY 2004-05 and FY 2003-04.

Generally, our procedures consist of: 1) obtaining an understanding of the MSRC's accounting and financial reporting systems for the awarding and distribution of AB 2766 funds; 2) obtaining an understanding of the MSRC's system of internal controls as they relate to the receipt of disbursement of AB 2766 funds in order to establish the nature and extent of substantive testing of transactions, and; 3) reviewing and analyzing, on a test basis, documentation supporting the receipt, distribution and use of AB 2766 funds in accordance with the California Clean Air Act of 1988 under the provisions of the CHSC Section 44220(a).

RESULTS AND RECOMMENDATIONS

We found no exceptions in the application of the procedures as described in Attachment A.

LIMITATIONS AND RESTRICTIONS

These procedures described in Attachment A did not constitute an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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 of the governing board and management of the SCAQMD. This restriction is not intended to limit the distribution of this report which, upon acceptance by the SCAQMD, is a matter of public record.

Los Angeles, California
February 13, 2007

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MOBILE SOURCE AIR POLLUTION REDUCTION
REVIEW COMMITTEE FUND
AB 2766 DISCRETIONARY FUNDING

LISTING OF AGREED-UPON PROCEDURES

1. For the contract selected, in accordance with CHSC Section 44244(b), we verified that the project was proposed under a work program that was developed and adopted by the MSRC and approved by the SCAQMD Board.
2. We obtained and reviewed the Contract between the Contractor and the SCAQMD to identify contract provisions pertinent to our review.
3. We obtained an understanding of established internal control procedures of the Contractor related to the receipt and use of AB 2766 funds.
4. We obtained an understanding of how AB 2766 funds are accounted for by the Contractor.
5. We obtained a detail listing of AB 2766 receipts recorded for each of the selected projects and agreed them to the MSRC's record of disbursements.
6. We obtained a listing of expenditures for the Contract and judgmentally selected a sample of expenditures for review.
7. For the sample selected we verified that AB 2766 funds expended by the Contractor were used solely to reduce air pollution from motor vehicles and related planning, monitoring, enforcement, and technical studies necessary for the implementation of the California Clean Air Act of 1988, in accordance with Section 44244(b) of the CHSC.
8. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the Contract and the work program.

ATTACHMENT B
SCHEDULE OF REVIEW RESULTS

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS04008

Contractor: Los Angeles County Metropolitan Transportation Authority

Project Title: Alternative Fuel and Advanced Technology Transit Bus Program

Project Status: Not Complete

AB 2766 Funding Adopted	Amount Invoiced To Date	10% Reten- tion	Total Invoiced To Date	Contract Balance	Ques- tioned Costs	Costs Accep- ted
\$ 854,050	\$ -	\$ -	\$ -	\$ 854,050	\$ -	\$ -

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS04017

Contractor: Road Builders, Inc.

Project Title: Off-Road Heavy-Duty Vehicle Diesel Pollution Reduction Program

Project Status: Not Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Invoiced To Date</u>	<u>10% Reten- tion</u>	<u>Total Invoiced To Date</u>	<u>Contract Balance</u>	<u>Ques- tioned Costs</u>	<u>Costs Accep- ted</u>
\$ 953,080	\$ 168,682	\$ 18,742	\$ 187,424	\$ 765,656	\$ -	\$ 187,424

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS04029

Contractor: Herigstad Equipment Rental

Project Title: Off-Road Heavy-Duty Vehicle Diesel Pollution Reduction Program

Project Status: Not Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Invoiced To Date</u>	<u>10% Reten- tion</u>	<u>Total Invoiced To Date</u>	<u>Contract Balance</u>	<u>Ques- tioned Costs</u>	<u>Costs Accep- ted</u>
\$ 1,190,024	\$ 747,155	\$ 83,017	\$ 830,172	\$ 359,852	\$ -	\$ 830,172

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS04036

Contractor: Sukut Equipment

Project Title: Off-Road Heavy-Duty Vehicle Diesel Pollution Reduction Program

Project Status: Not Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Invoiced To Date</u>	<u>10% Reten- tion</u>	<u>Total Invoiced To Date</u>	<u>Contract Balance</u>	<u>Ques- tioned Costs</u>	<u>Costs Accep- ted</u>
\$ 466,807	\$ 189,321	\$ 21,036	\$ 210,357	\$ 256,450	\$ -	\$ 210,357

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: ML04016

Contractor: City of Burbank

Project Title: Off-Road Heavy-Duty Vehicles Diesel Pollution Reduction Program

Project Status: Not Complete

AB 2766 Funding Adopted	Amount Invoiced To Date	Contract Balance	Questioned Costs	Costs Accepted
\$ 270,000	\$ 120,000	\$ 150,000	\$ -	\$ 120,000

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: PT05057

Contractor: First Student, Incorporated

Project Title: Diesel Exhaust After-Treatment Retrofit Program

Project Status: Not Complete

AB 2766 Funding Adopted	Amount Invoiced To Date	Contract Balance	Questioned Costs	Costs Accepted
\$ 442,500	\$ -	\$ 442,500	\$ -	\$ -

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS05001
Contractor: A-Z Bus Sales, Inc.
Project Title: CNG School Bus Buydown
Project Status: Not Complete

AB 2766 Funding Adopted	Amount Invoiced To Date	Contract Balance	Questioned Costs	Costs Accepted
\$ 1,385,000	\$ 795,000	\$ 590,000	\$ -	\$ 795,000

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS05002

Contractor: California Bus Sales & Service Center, Inc.

Project Title: CNG School Bus Buydown

Project Status: Not Complete

AB 2766 Funding Adopted	Amount Invoiced To Date	Contract Balance	Questioned Costs	Costs Accepted
\$ 1,800,000	\$ 480,000	\$ 1,320,000	\$ -	\$ 480,000

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS05004

Contractor: Johnson/Ukropina Creative Marketing

Project Title: Radio Buy Plan

Project Status: Not Complete

AB 2766 Funding Adopted	Amount Invoiced To Date	10% Reten- tion	Total Invoiced To Date	Contract Balance	Ques- tioned Costs	Costs Accep- ted
\$ 1,000,000	\$ 560,478	\$ 8,348	\$ 568,826	\$ 431,174	\$ -	\$ 568,826

Results: No findings

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE FUND
 Agreed-Upon Procedures Review of AB 2766 Discretionary Funding

Contract No.: MS05052

Contractor: Caufield Equipment, Inc.

Project Title: Off-Road Heavy-Duty Vehicle Diesel Pollution Reduction Program

Project Status: Not Complete

<u>AB 2766 Funding Adopted</u>	<u>Amount Invoiced To Date</u>	<u>10% Reten- tion</u>	<u>Total Invoiced To Date</u>	<u>Contract Balance</u>	<u>Ques- tioned Costs</u>	<u>Costs Accep- ted</u>
\$ 478,000	\$ -	\$ -	\$ -	\$ 478,000	\$ -	\$ -

Results: No findings