



**San Diego County Air Pollution Control District**  
**Incentive Programs**  
Fiscal Compliance Audit

Report No. 21-3900-001  
February 2021

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, CPA, Assistant Chief  
Marilyn Standing Horse, CPA, Manager  
David Shockey, CPA, Supervisor  
Brian Dunham, Lead  
Eric Hamilton  
Dylan Newton

Final reports are available on our website at [www.dof.ca.gov](http://www.dof.ca.gov).

You can contact our office at:

California Department of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

---



Gavin Newsom ■ Governor

915 L Street ■ Sacramento CA ■ 95814-3706 ■ [www.dof.ca.gov](http://www.dof.ca.gov)

Transmitted via e-mail

February 2, 2021

Robert Reider, Interim APCO-Director  
San Diego County Air Pollution Control District  
10124 Old Grove Road  
San Diego, CA 92131

**Final Report—San Diego County Air Pollution Control District Incentive Programs Fiscal Compliance Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its fiscal compliance audit of the San Diego County Air Pollution Control District's implementation of the California Air Resources Board's air pollution reduction incentive programs. The audit included the following incentive programs and fiscal years:

- Carl Moyer Memorial Air Quality Standards Attainment Program – 2011-12 through 2018-19
- Community Air Protection Program – 2017-18 and 2018-19
- Funding Agricultural Replacement Measures for Emission Reductions Program – 2017-18 and 2018-19

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

If you have any questions regarding this report, please contact Marilyn Standing Horse, Manager, or David Shockey, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations

cc: Scott Rowland, Chief, Mobile Source Control Division, California Air Resources Board  
Sydney Vergis, Division Chief, Mobile Source Control Division, California Air Resources Board  
Brandy Hunt, Branch Chief, Administrative Services Division, California Air Resources Board  
Radhika Majhail, Manager, Mobile Source Control Division, California Air Resources Board  
Kathleen Keehan, Supervising Air Resources Specialist, San Diego County Air Pollution Control District  
Israel Garza, Chief of Support Services, San Diego County Air Pollution Control District

# BACKGROUND, SCOPE, METHODOLOGY, AND RESULTS

---

## BACKGROUND

The San Diego Air Pollution Control District (District) is a local regulatory agency responsible for protecting the public's health from the adverse impacts of air pollution. This is accomplished through integrated monitoring, planning, engineering, and compliance activity that focuses on achieving and maintaining air quality standards.<sup>1</sup>

The District receives grants for air pollution reduction incentive programs from the California Air Resources Board (CARB). CARB is charged with protecting the public from the harmful effects of air pollution and developing programs and actions to fight climate change. From requirements for clean cars and fuels to adopting innovative solutions to reduce greenhouse gas emissions, California has pioneered a range of effective approaches that have set the standard for effective air and climate programs for the nation and the world.<sup>2</sup>

The District participates in three air pollution reduction incentive programs—Carl Moyer Memorial Air Quality Standards Attainment Program (CMP), Community Air Protection Program (CAPP), and Funding Agricultural Replacement Measures for Emission Reductions Program (FARMER), described as follows:

### Incentive Programs<sup>3</sup>

<b>CMP</b>	The CMP provides grant funding for cleaner-than-required engines, equipment, and other sources of air pollution. The CMP is implemented as a partnership between CARB and California's 35 local air districts. CARB works collaboratively with the air districts and other stakeholders to set guidelines and ensure the Program reduces pollution and provides cleaner air for Californians. The CMP requires a 15-percent match of local funds.
<b>CAPP</b>	The CAPP's focus is to reduce exposure in communities most impacted by air pollution. Communities around the state are working together to develop and implement new strategies to measure air pollution and reduce health impacts.
<b>FARMER</b>	The FARMER provides funding through local air districts for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.

---

<sup>1</sup> Excerpts obtained from <https://www.sdapcd.org/>.

<sup>2</sup> Excerpts obtained from <https://ww2.arb.ca.gov/>.

<sup>3</sup> Ibid.

## SCOPE

At the request of CARB, the California Department of Finance, Office of State Audits and Evaluations, conducted a fiscal compliance audit of the District's air pollution reduction incentive programs. The audit included the following incentive programs and fiscal years:

	Fiscal Year							
Air Pollution Reduction Incentive Programs	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
CMP	✓	✓	✓	✓	✓	✓	✓	✓
CAPP							✓	✓
FARMER							✓	✓

The audit objective was to determine whether the incentive programs' revenues, expenditures, and resulting balances were in compliance with applicable grant agreements, guidelines, and statutes.

In performing our audit, we considered internal controls significant to the audit objective. See Appendix B for a list of significant internal control components and underlying principles.

The District's management is responsible for ensuring accurate financial reporting and compliance with applicable grant agreements, guidelines, and statutes.

## METHODOLOGY

In planning the audit, we gained an understanding of the programs, and identified relevant criteria, by interviewing CARB and District personnel, and reviewing the executed grant agreements and amendments, program guidelines, and applicable statutes.

We conducted a risk assessment, including evaluating whether the District's key internal controls significant to our audit objective were properly designed, implemented, and operating effectively. Key Internal controls evaluated focused on the review and approval process for expenditures, expenditure reconciliation, interest revenue calculation and allocation, and processes for fund liquidation and reporting. Our assessment included conducting interviews with District personnel and testing transactions related to expenditures, interest revenue, fund liquidation, and reporting. During our audit, we did not identify deficiencies in internal controls significant within the context of our audit objective or that warranted the attention of those charged with governance.

Additionally, we determined verification of the reliability of data from the District's financial systems, Business Continuity Management System, Oracle, and Kronos, was not necessary because other sufficient evidence was available to address the audit objective.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objective. Our methods are detailed in the Table of Methodologies.

**Table of Methodologies**

Audit Objective	Methods
<ul style="list-style-type: none"> <li>Determine whether the incentive programs' revenues, expenditures, and resulting balances were in compliance with applicable grant agreements, guidelines, and statutes.</li> </ul>	<ul style="list-style-type: none"> <li>Determined if selected interest revenue was correctly calculated and allocated to the programs by reviewing historical interest rates and District accounting records. Specifically, two fiscal years were selected based on qualitative significance to determine if interest requirements were met.</li> <li>Selected 16 quantitatively significant CMP invoices and determined if grant and interest expenditures were allowable, authorized, project related, incurred within the grant period, supported, liquidated timely, and properly reported by reviewing the District's accounting records, vendor invoices, canceled checks, and annual reports, and comparing to relevant criteria.</li> <li>Selected a combined four months of CMP, CAPP, and FARMER administrative expenditures and determined if selected administrative expenditures were supported, correctly recorded, and incurred within the grant period by reviewing grant agreements, timesheets, and accounting records.</li> <li>Selected 15 quantitatively significant CMP contractor invoices recorded as match and determined if selected match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, invoices, and annual reports, and comparing to relevant criteria. Specifically, two program years were selected based on qualitative significance to determine if match requirements were met.</li> <li>Determined whether the District liquidated unexpended funds timely by reviewing revenues and expenditures, grant agreements, accounting records, and annual reports, and comparing to relevant criteria.</li> </ul>

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## RESULTS

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the incentive programs' revenues, expenditures, and resulting balances were in compliance with applicable grant agreements, guidelines, and statutes. Expenditures, revenues, and resulting balances by program and fiscal year for CMP, CAPP, and FARMER are detailed in Appendix A.

## Schedule 1: CMP Summary

Moyer Year <sup>4</sup>	Fiscal Year	Total Revenue	Expenditures Within Grant Period (Excluding Match) <sup>5</sup>	Resulting Balance	Amount to be Remitted <sup>6</sup>
14	2011-12	\$ 3,344,688	\$ 3,344,688	\$ 0	\$ 0
14 Multi-District	2011-12	371,938	371,938	0	0
15	2012-13	2,841,215	2,882,606	0	0
16	2013-14	2,982,780	3,007,780	0	0
17	2014-15	3,160,505	3,163,505	0	0
18	2015-16	3,245,841	3,242,051	3,790	0
19	2016-17	3,595,355	2,869,751	725,604	0
19 Multi-District	2016-17	386,695	386,695	0	0
20	2017-18	3,816,107	3,023,349	792,758	0
20 Multi-District	2017-18	540,940	503,774	37,166	0
21	2018-19	4,831,281	189,668	4,641,613	0
21 Multi-District	2018-19	626,326	834	625,492	0

<sup>4</sup> Multi-District funds provide incremental cost funding for projects operating in more than one local air district.

<sup>5</sup> For Moyer Years 15, 16, and 17, the District's expenditures exceeded available revenue, requiring no resulting balance to be returned to CARB.

<sup>6</sup> Per Health and Safety Code section 44287, subdivision (j), funds not liquidated by the District by June 30 of the fourth calendar year following the date of the reservation shall be returned to CARB. Resulting balances were not yet required to be expended as of the end of the audit period, June 30, 2019, for Moyer Years 18, 19, 20, and 21.

### Schedule 2: CMP Revenue

Moyer Year	Fiscal Year	Program Funds	Administrative Funds	Interest	Total
14	2011-12	\$ 3,165,273	\$ 166,593	\$ 12,822	\$ 3,344,688
14 Multi-District	2011-12	353,341	18,597	0	371,938
15	2012-13	2,679,666	141,035	20,514	2,841,215
16	2013-14	2,825,239	148,697	8,844	2,982,780
17	2014-15	2,994,194	157,589	8,722	3,160,505
18	2015-16	3,039,423	202,628	3,790	3,245,841
19	2016-17	3,334,526	222,302	38,527	3,595,355
19 Multi-District	2016-17	362,527	24,168	0	386,695
20	2017-18	3,534,589	235,639	45,879	3,816,107
20 Multi-District	2017-18	507,131	33,809	0	540,940
21	2018-19	4,440,954	296,064	94,263	4,831,281
21 Multi-District	2018-19	587,181	39,145	0	626,326



### Schedule 3: CMP Expenditures

Moyer Year	Fiscal Year	Program Expenditures	Administrative Expenditures	Interest Expenditures	Expenditures Within Grant Period (Excluding Match)	Match Expenditures	Total Expenditures
14	2011-12	\$ 3,165,273	\$ 166,593	\$ 12,822	\$ 3,344,688	\$ 499,780	\$ 3,844,468
14 Multi-District	2011-12	353,341	18,597	0	371,938	0	371,938
15	2012-13	2,721,097	140,995	20,514	2,882,606	423,105	3,305,711
16	2013-14	2,850,239	148,697	8,844	3,007,780	446,090	3,453,870
17	2014-15	2,997,194	157,589	8,722	3,163,505	799,653	3,963,158
18	2015-16	3,039,423	202,628	0	3,242,051	953,362	4,195,413
19	2016-17	2,608,922	222,302	38,527	2,869,751	4,744,115	7,613,866
19 Multi-District	2016-17	362,527	24,168	0	386,695	0	386,695
20	2017-18	2,741,831	235,639	45,879	3,023,349	590,000	3,613,349
20 Multi-District	2017-18	469,965	33,809	0	503,774	0	503,774
21	2018-19	0	189,668	0	189,668	0	189,668
21 Multi-District	2018-19	0	834	0	834	0	834

#### Schedule 4: CAPP Summary

Grant Number	Fiscal Year	Total Revenue	Expenditures Within Grant Period	Resulting Balance	Amount to be Remitted <sup>7</sup>
G17-MCAP-05	2017-18	\$3,000,000	\$ 137,972	\$ 2,862,028	\$ 0
G18-MCAP-04	2018-19	18,950,580	0	18,950,580	0

#### Schedule 5: CAPP Revenue

Grant Number	Fiscal Year	Program Funds	Administrative Funds	Interest	Total
G17-MCAP-05	2017-18	\$ 2,812,500	\$ 187,500	\$ 0	\$ 3,000,000
G18-MCAP-04	2018-19	17,723,438	1,181,562	45,580	18,950,580

#### Schedule 6: CAPP Expenditures

Grant Number	Fiscal Year	Program Expenditures	Administrative Expenditures	Interest Expenditures	Total Expenditures Within Grant Period
G17-MCAP-05	2017-18	\$ 0	\$ 137,972	\$ 0	\$ 137,972
G18-MCAP-04	2018-19	0	0	0	0

---

<sup>7</sup> Resulting balances are not required to be expended as of the end of the audit period, June 30, 2019. Therefore, no remittance is required. For grant numbers G17-MCAP-05 and G18-MCAP-04, funds not expended by June 30, 2021 and June 30, 2022, respectively, are to be remitted to CARB.

### Schedule 7: FARMER Summary

Grant Number	Fiscal Year	Total Revenue	Total Expenditures Within Grant	Resulting Balance <sup>8</sup>	Amount to be Remitted
G17-AGIP-11	2017-18	\$ 1,269,700	\$ 79,356	\$ 1,190,344	\$ 0
G18-AGIP-10	2018-19	1,226,268	8,741	1,217,527	0

### Schedule 8: FARMER Revenue

Grant Number	Fiscal Year	Program Funds	Administrative Funds	Interest	Total
G17-AGIP-11	2017-18	\$ 1,190,344	\$ 79,356	\$ 0	\$ 1,269,700
G18-AGIP-10	2018-19	1,149,626	76,642	0	1,226,268

### Schedule 9: FARMER Expenditures

Grant Number	Fiscal Year	Program Expenditures	Administrative Expenditures	Interest Expenditures	Total Expenditures Within Grant Period
G17-AGIP-11	2017-18	\$ 0	\$ 79,356	\$ 0	\$ 79,356
G18-AGIP-10	2018-19	0	8,741	0	8,741

---

<sup>8</sup> Resulting balances are not required to be expended as of the end of the audit period, June 30, 2019. Therefore, no remittance is required. For grant numbers G17-AGIP-11 and G18-AGIP-10, funds not expended by June 30, 2021 and June 30, 2022, respectively, are to be remitted to CARB.

## APPENDIX B

---

We considered the following internal control components and underlying principles significant to the audit objective:

Internal Control Component	Internal Control Principle
Control Activities	<ul style="list-style-type: none"><li>• Management designs control activities to achieve objectives and respond to risks.</li><li>• Management implements control activities through policies.</li></ul>
Information and Communication	<ul style="list-style-type: none"><li>• Management uses quality information to achieve the entity's objectives.</li><li>• Management externally communicates necessary quality information to achieve the entity's objectives.</li></ul>