



**Office of the Washington State Auditor
Pat McCarthy**

March 23, 2023

Board of Directors
Yakima Regional Clean Air Agency
Yakima, Washington

Report on Agreed-Upon Procedures

Please find attached our report on the results of performing certain agreed-upon procedures as specified in our report.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

Marc Thornsbury, Executive Director
Yakima Regional Clean Air Agency
186 Iron Horse Court
Yakima, WA 98901

To the Board of Directors and Management of the Yakima Regional Clean Air Agency:

We have performed the procedures enumerated below related to the Agency's Air Operating Permit (AOP) program and the Agency's compliance with program's fiscal requirements established by Chapter 70A.15.2260-2270 of the Revised Code of Washington and Chapter 173-401 of the Washington Administrative Code (the specified requirements), during the period July 1, 2020 through June 30, 2022. The Agency's management is responsible for managing its AOP program, compliance with those requirements, and for the accuracy of its financial records.

The Agency's management and the Washington State Department of Ecology (Ecology) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Agency and Ecology in determining whether the Agency complied with the specified requirements. 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.

Procedure Results

The agreed-upon procedures and associated results are as follows:

Procedures related to collection of fees

1. Inspect the Agency's written procedure for developing, assessing and collecting fees from its sources and determine whether it is more than three years old.

Results: The Agency's written procedures were approved by the Board on May 14, 2009. This is more than three years old.

2. Compare totals from the AOP permit ledgers or systems to the general ledger for each fiscal year. (Applicable only if permits were issued out of a separate system than the general ledger and may only be feasible if permit amounts are included in the permit ledger or system.)

Results: The Agency uses spreadsheets to calculate the AOP permits. We compared the 2021 and 2022 AOP spreadsheets to the general ledger and the totals agreed.

3. Judgmentally select AOP permits issued during the engagement period and trace amounts to receipts and to the general ledger.

Results: We selected all four AOP permits issued during the periods ended June 30, 2022 and 2021. The Agency billed \$119,056 and \$131,510, respectively. We traced the billings to receipts and the general ledger. No exceptions were found as a result of applying this procedure.

4. Inspect a judgmental selection of AOP permit accounts receivables for each fiscal year and determine whether late fees were assessed and collection measures initiated in accordance with Authority policies and procedures.

Results: The Agency did not have accounts receivable balances at fiscal years-ending June 30, 2022 and 2021.

Procedures related to computation of fees

5. Inspect invoices for a judgmental selection of AOP permits issued during the engagement period to ensure fees agreed with the Agency's approved fee schedule and fee calculation worksheets.

Results: The Agency's policy requires the Agency to bill for permits based on the Agency's budget, reconciling the budget to actual each year. The Agency must provide rebates or additional charges as necessary based on the annual reconciliation. We inspected and recalculated all four permits issued for fiscal years ended June 30, 2022 and 2021. The Agency's former Executive Director did not follow the Agency's policy by billing based on the budgeted amount and then reconciling the budget to actual. As a result,:

- 2021 billings overcharged one source by \$2,222 and under-charged three sources by \$1,326, \$124, and \$875.
- 2022 billings overcharged four sources by \$1,186, \$2,502, \$1,229 and \$1,140.

Procedures related to revenue and expenditure accounting

6. Identify which fund or accounts are used to account for AOP revenue and expenses.

Results: The Agency uses Fund 002 in its accounting system to account for AOP revenues and expenses. The Agency also tracked expenditures in an Excel spreadsheet used to determine actual AOP expenses.

7. Inspect all Agency general ledger accounts used to account for AOP revenue and expenses and determine whether AOP revenue and expenses are commingled with other revenue sources or expense uses.

Results: AOP revenues were not commingled with other revenue sources. In 2021, AOP expenditures were not commingled with other revenue sources or expense uses. However, the Agency did not code all 2022 payroll AOP expenses to Fund 002. As a result, approximately \$24,850 in AOP payroll expenses were commingled with other expenses in the general ledger.

8. Judgmentally select expenses accounted for in non-AOP accounts during the engagement period and inspect supporting documentation to determine whether they were for AOP activities.

Results: We inspected the non-AOP general ledger expense reports and did not identify any payments for Ecology oversight fees and audit costs. For 2021, we determined that the expenses were only for non-AOP activities. For 2022, we determined the only AOP expenses not accounted for in Fund 002 were payroll costs of about \$24,850.

Procedures related to authorized activities

9. Judgmentally select AOP program expenses (including payroll) for the engagement period and inspect supporting documentation to determine whether they were for allowable program activities.

Results: The Agency's AOP expenses include payroll, Ecology oversight fees and audit costs. We judgmentally selected direct payroll expenses for three months in 2021 and three months in 2022 and tied the timesheets to the general ledger and the Excel spreadsheet. We also selected the Ecology oversight fees and audit costs and inspected supporting documents. No exceptions were found as a result of applying this procedure.

10. Inspect supporting documentation for a judgmental selection of tasks the sources were billed for during the engagement period and determine whether they were completed.

Results: The Agency bills its four sources annually for payroll costs, Ecology oversight fees and auditing costs. We inspected three months of payroll costs for each year, as well as the Ecology oversight fees and auditing fees. No exceptions were found as a result of applying this procedure.

11. Inspect the Agency's indirect cost allocations and determine whether indirect costs were also charged to the program as direct costs.

Results: Indirect costs were not charged to the program as direct costs.

Procedures related to available funds

12. Inspect Agency interim and year-end balance sheets for each fiscal year to determine if the AOP program had a negative fund balance at any time during the engagement period.

Results: We compared the revenue and expenses in the general ledger each month and confirmed that the AOP program did not have a negative fund balance at any time.

13. Inspect uses of AOP program revenues collected in excess of actual program costs for each fiscal year and determine whether the Agency complied with its policy for handling excess program revenue.

Results: The Agency's policy requires an annual reconciliation of budget to actual and the Agency must provide rebates the following year for revenues collected in excess of actual program costs. However, the Agency did not follow its policy for 2021 and 2022 billings. As a result, the Agency:

- Overcharged one source by \$2,222 on its 2021 billings..
- Overcharged four sources by \$1,186, \$2,502, \$1,229 and \$1,140 on its 2022 billings.

14. To ensure all Title V facilities were billed for permit fees during the engagement period, perform a query of all Title V sources and synthetic minors on an annual basis.

Results: The Agency has only four Title V sources. We determined that all four Title V sources were billed for permit fees.

About the Engagement

We were engaged by the Agency's management 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 and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Agency's AOP program or on compliance with the specified requirements. Additionally, the agreed-upon procedures do not constitute an audit or review of the financial statements or any part thereof, the objective of which is the expression of an opinion or conclusion, respectively, on the financial statements or a part thereof. Accordingly, we do not express such opinions or conclusions. 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

March 16, 2023