

**12/17/2025 POLICY, GRANTS, AND TECHNOLOGY
COMMITTEE MEETING**

ATTACHMENT 1

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**

**TRANSPORTATION FUND
FOR CLEAN AIR PROGRAM**

**REGIONAL FUND AND
AIR DISTRICT-SPONSORED PROGRAMS**

AUDIT NO. 26 SUMMARY REPORT

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM
REGIONAL FUND AND AIR DISTRICT-SPONSORED PROGRAMS**

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1 – INTRODUCTION

The Bay Area Air Quality Management District (Air District) was created by the California legislature in 1955. The Air District's structure, operating procedures and authority are established by Division 26 of the California Health and Safety Code.

The Air District includes seven counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo and Santa Clara and portions of two other counties, Southwestern Solano and Southern Sonoma. The Air District is governed by a twenty-four-member Board of Directors that includes representatives from all of the above counties.

The Air District's jurisdiction is limited principally to regulating stationary sources of air pollution within the Bay Area, primarily industry pollution and burning. Any company wishing to build or modify a facility in the Bay area must first obtain a permit from the Air District to ensure that the facility complies with all applicable rules.

The Air District also acts as the program administrator for Transportation Fund for Clean Air (TFCA) funds derived from Assembly Bill 434. TFCA funding comes from a \$4 surcharge, on motor vehicles registered within the Air District. TFCA funding may only be used to fund eligible projects that reduce motor vehicle emissions and support the implementation of the transportation and mobile source control measures in the Clean Air Plan in place at time of award. All projects must fall within the categories listed in State Law (Health and Safety Code Section 44241).

The Health and Safety Code requires the Air District to pass-through no less than 40% of the TFCA revenues raised within a particular county, after audit and administrative costs, to that county's designated Program Manager. The remaining 60% is for Regional Fund grants and Air District-sponsored programs and is allocated to projects on both a competitive and first-come, first-serve basis, depending on the solicitation or program.

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2 – PROGRAM DESCRIPTION

Health and Safety Code Section 44223 and 44225 authorize a surcharge on the motor vehicle registration fee (surcharge) to be used by the Bay Area Air Quality Management District (Air District) and local governments specifically for programs to reduce air pollution from motor vehicles. The Department of Motor Vehicles collects the surcharge and allocates the amounts to the Air District. The Air District administers these funds through the Transportation Fund for Clean Air (TFCA) Program. Under the TFCA Program, 60% of the funds stay with the Air District and are used for Regional Fund Grants and Air District-sponsored programs, such as *Spare the Air*. The remaining 40% is passed-through to Administering Agencies of the 9 Bay-Area Counties. Allowable projects under Health and Safety Code Section 44241 include the following:

- The implementation of ridesharing programs.
- The purchase or lease of clean fuel buses for school districts and transit operators.
- The provision of local feeder bus or shuttle service to rail and ferry stations and to airports.
- Implementation and maintenance of local arterial traffic management, including, but not limited to, signal timing, transit signal preemption, bus stop relocation and “smart streets.”
- Implementation of rail-bus integration and regional transit information systems.
- Implementation of demonstration projects in telecommuting and in congestion pricing of highways, bridges, and public transit.
- Implementation of vehicle-based projects to reduce mobile source emissions, including, but not limited to, engine repowers, engine retrofits, fleet modernization, alternative fuels, and advanced technology demonstrations.
- Implementation of a smoking vehicles program.
- Implementation of an automobile buy-back scrappage program operated by a governmental agency.
- Implementation of bicycle facility improvement projects that are included in an adopted countywide bicycle plan or congestion management program.
- The design and construction by local public agencies of physical improvements that support development projects that achieve motor vehicle emission reductions. The projects and the physical improvements shall be identified in an approved area-specific plan, redevelopment plan, general plan, or other similar plans.

State law requires that any entity receiving TFCA funding be subject to an audit, at least once every two years. Health and Safety Code Section 44242 provides the legal compliance guidelines for the Air District to follow in the event revenues are not spent appropriately or when projects do not result in emission reductions. Health and Safety Code Sections 44241 and 44242 are provided in Appendix A.

The Air District retained the firm of Simpson and Simpson LLP to conduct TFCA financial and compliance Audit No. 26, which included Regional Fund projects and Air District-sponsored programs completed prior to June 30, 2024. These audits were conducted during the months of January 2025 through October 2025.

A total of 10 individual project sponsors and 13 projects were audited, with \$4,204,833.64 total funds expended for projects included in Audit No. 26. A listing of the projects audited is provided in Appendix B. Unmodified opinions were issued on all 10 financial audit reports.

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3 – AUDIT PROCESS

The audits were designed to address numerous financial and compliance objectives; however, the principal objectives of the audits were to (1) provide assurance that amounts reported in the Schedules of Expenditures are fairly stated, and (2) determine whether projects financed through the Air District's Regional Fund met funding agreement requirements. The audit procedures were specifically designed for TFCA financial and compliance requirements, which are described below:

Audit of the Schedules of Expenditures

The financial audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Procedures performed included, but were not limited to:

- Gaining an understanding of the project sponsors' internal controls over the financial reporting of the TFCA program through observation, inquiry, and supporting documentation.
- Tracing expenditures related to the TFCA program to the project sponsor's accounting records.
- Validating TFCA expenditures related to vendor disbursements, payroll, and administrative charges to supporting documentation.
- Conducting interviews with project sponsors to inquire about known, alleged, or suspected fraud related to the program.

Compliance Auditing Procedures

The audits were performed in accordance with the requirements outlined in the Health and Safety Code, individual funding agreements, and Government Auditing Standards. The principal focus of the compliance auditing procedures was to ensure TFCA expenditures were paid in accordance with the program's objectives (Health and Safety Code Section (HSC) 44241). Compliance audits were planned and performed to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the HSC could have a direct and material effect on projects reported in the Schedules occurred.

The audit includes examining, on a test basis, evidence about the project sponsor's compliance with those requirements and performing such other procedures as considered necessary in the circumstances.

Auditing procedures performed included, but were not limited to:

- Testing expenditures for allowable costs in accordance with Section 44241 of the Health and Safety Code.
- Verifying that the project sponsor used the TFCA funds for the reduction of emissions from motor vehicles.

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4 – PROJECT SPONSOR FINDINGS

Noncompliance and Material Weaknesses in Internal Control

A total of three projects were identified as having instances of noncompliance, which resulted in questioned costs. These instances of noncompliance have also led to a significant deficiency or material weakness in internal control over compliance.

Below is a summary of the identified findings:

City of San Leandro (17R21)

TFCA Project Affected

- Project Number: 17R21 (Material Weakness)
- Project Sponsor: City of San Leandro (City)
- Project Description: Project Sponsor shall construct and maintain 0.99 miles of Class II and 7.50 miles of Class III bikeways in San Leandro. (Material Weakness)

Criteria

Non-payroll expenditures incurred by the City for the approved project bicycle facilities are required to be appropriately invoiced and fully paid prior to submission of the Final Invoice to the Air District for reimbursement as stipulated in the funding agreement between the Bay Area Air Quality Management District (Air District) and the Sponsor:

II.2. The Project Sponsor shall pay all Project costs necessary to complete the Project prior to submission of the Final Invoice to the Air District for reimbursement. Air District's funding obligation under this Agreement is limited to reimbursement of Eligible Costs, as specified in Attachment B, the amount of which shall not exceed the TFCA Funds Awarded, also as specified in Attachment B. The Project Sponsor shall be solely responsible for all costs that exceed the TFCA Funds Awarded.

A.9. Approved Project Bicycle Facilities (Project Components)

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City of San Leandro (17R21) continued

Bikeway ID	Bikeway Class*	Bikeway Length (miles)	Maximum Eligible Costs	Maximum TFCA Funds Awarded	Percentage of Maximum TFCA Funds Awarded of Maximum Eligible Costs	Maximum TFCA Funds Awarded Per Mile
17R21-1a	Class II	0.08	\$2,400	\$2,160	90.0000%	\$27,000
17R21-1b	Class III	0.30	\$9,000	\$8,100	90.0000%	\$27,000
17R21-2	Class III	0.40	\$12,000	\$1,750	14.5833%	\$4,375
17R21-3	Class III	0.40	\$12,000	\$10,800	90.0000%	\$27,000
17R21-4	Class III	0.30	\$9,000	\$8,100	90.0000%	\$27,000
17R21-6	Class II	0.40	\$12,000	\$10,800	90.0000%	\$27,000
17R21-7a	Class II	0.04	\$900	\$800	88.8889%	\$20,000
17R21-7b	Class III	0.36	\$8,100	\$7,277	89.8395%	\$20,214
17R21-8	Class III	0.30	\$4,500	\$3,823	84.9556%	\$12,743
17R21-9	Class III	0.90	\$13,500	\$12,150	90.0000%	\$13,500
17R21-10	Class III	0.70	\$10,500	\$3,076	29.2952%	\$4,394
17R21-11	Class II	0.40	\$6,000	\$5,400	90.0000%	\$13,500
17R21-12	Class III	0.60	\$15,000	\$10,150	67.6667%	\$16,917
17R21-13	Class III	1.20	\$19,500	\$12,129	62.2000%	\$10,108
17R21-14	Class III	0.70	\$10,500	\$6,920	65.9048%	\$9,886
17R21-15	Class III	0.80	\$12,000	\$1,750	14.5833%	\$2,188
17R21-16	Class III	0.50	\$7,500	\$6,750	90.0000%	\$13,500
17R21-17a	Class II	0.07	\$6,300	\$5,670	90.0000%	\$81,000
17R21-17b	Class III	0.04	\$3,600	\$1,704	47.3333%	\$42,600
	Total:	8.49	\$174,300	\$119,309		

The City should claim only the eligible costs for the approved project bicycle facilities that have been completely constructed and properly maintained for reimbursement from the Air District, as required by the funding agreement.

Condition, Cause and Effect

We reviewed total expenditures charged on the project amounting to \$196,905.50. The following project bicycle facilities are not constructed as required by the funding agreement. Consequently, the total eligible costs and the amount reimbursable as per contract are overstated as follows.

Bikeway ID	Bikeway Class	Bikeway Length (miles)	Maximum Eligible Costs	Maximum TFCA Funds Awarded	Percentage of Maximum TFCA Funds Awarded of Maximum Eligible Costs	Eligible Costs	Amount Reimbursable (As per contract)	Withholding	Payment
17R21-2	Class III	0.40	\$12,000.00	\$ 1,750.00	14.5833%	6,986.85	\$ 1,019.00	\$ (153.00)	\$ 866.00
17R21-4	Class III	0.30	\$ 9,000.00	\$ 8,100.00	90.00000%	5,240.14	\$ 4,716.00	\$ (707.00)	\$ 4,009.00
17R21-6	Class II	0.40	\$12,000.00	\$10,800.00	90.00000%	13,973.70	\$ 12,576.00	\$ (1,620.00)	\$ 9,180.00
17R21-10	Class III	0.70	\$10,500.00	\$ 3,076.00	29.29524%	12,226.99	\$ 3,582.00	\$ (461.00)	\$ 2,615.00
17R21-11	Class II	0.40	\$ 6,000.00	\$ 5,400.00	90.00000%	13,973.70	\$ 12,576.00	\$ (810.00)	\$ 4,590.00
17R21-16	Class III	0.50	\$ 7,500.00	\$ 6,750.00	90.00000%	8,733.57	\$ 7,860.00	\$ (1,013.00)	\$ 5,737.00
				Total:		\$ 61,134.96	\$ 42,329.00	\$ (4,764.00)	\$ 26,997.00

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City of San Leandro (17R21) continued

Questioned Costs

As a result, a total of \$26,997 represents unsupported non-payroll costs charged to TFCA Project 17R21.

The Schedule of Expenditures of Transportation Fund reflects an audit adjustment removing these costs from the Final Project Expenditures as of June 30, 2024.

Recommendation

We recommend that the City implement a review and approval system which requires that project work scope, along with invoices and payments, to be reviewed and approved before being submitted to the Air District for reimbursement, to make sure the project scope is in line with the project description as per the executed funding agreement.

Project Sponsor's Response

The City accepts the audit findings and will implement a strengthened review and approval process to ensure that all project work scopes align with the funding agreement, and that invoices and payments are thoroughly verified prior to submitting reimbursement requests and project closeout to the BAAQMD.

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City of San Rafael (18R15)

TFCA Project Affected

- Project Number: 18R15 (Significant Deficiency)
- Project Sponsor: City of San Rafael (City)
- Project Description: Project Sponsor shall construct and maintain 0.87 miles of Class I bikeways in San Rafael. (Significant Deficiency)

Criteria

Non-payroll expenditures incurred by the City are required to be appropriately invoiced and fully paid prior to submission of the Final Invoice to the Air District for reimbursement as stipulated in the funding agreement between the Bay Area Air Quality Management District (Air District) and the City:

II.2. The Project Sponsor shall pay all Project costs necessary to complete the Project prior to submission of the Final Invoice to the Air District for reimbursement. Air District's funding obligation under this Agreement is limited to reimbursement of Eligible Costs, as specified in Attachment B, the amount of which shall not exceed the TFCA Funds Awarded, also as specified in Attachment B. The Project Sponsor shall be solely responsible for all costs that exceed the TFCA Funds Awarded.

The City should claim only the eligible costs that have been fully paid for reimbursement from the Air District.

Condition, Cause and Effect

We reviewed the total expenditures charged to the project, on a sampled basis, amounting to \$3,500,456.82. There is one invoice with the amount of \$1,901,002.14 that was claimed as \$1,915,830.39 by the City for reimbursement from the Air District, resulting in a difference of \$14,828.25.

As stipulated in the funding agreement, the maximum TFCA Funds Awarded as a Percentage of Eligible Costs is 4.6191%.

Consequently, the City was overpaid by \$684.93, 4.6191% of \$14,828.25.

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City of San Rafael (18R15) continued

Questioned Costs

As a result, a total of \$684.93 represents unsupported non-payroll costs charged to TFCA Project 18R15.

The Schedule of Expenditures of Transportation Fund reflects an audit adjustment removing these costs from the Final Project Expenditures as of June 30, 2024.

Recommendation

We recommend that the City implement an invoice review and approval system which requires invoices along with payments to be reviewed and approved before being submitted to the Air District for reimbursement.

Project Sponsor's Response

The City of San Rafael has recently transitioned to a new financial accounting and tracking platform. This new platform includes an approval process that requires invoices to be reviewed and approved as part of any reimbursement request with any agency. Therefore, the City has implemented the finding's recommendation and all invoices associated with reimbursement agreements will follow this process as of July 1st, 2025.

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City of Gilroy (18R20)

TFCA Project Affected

- Project Number: 18R20 (Material Weakness)
- Project Sponsor: City of Gilroy (City)
- Project Description: Project Sponsor shall construct and maintain 1.57 miles of Class II bikeways. (Material Weakness)

Criteria

Non-payroll expenditures incurred by the City for the approved project bicycle facilities are required to be appropriately invoiced and fully paid prior to submission of the Final Invoice to the Air District for reimbursement as stipulated in the funding agreement between the Bay Area Air Quality Management District (Air District) and the Sponsor:

II.2. The Project Sponsor shall pay all Project costs necessary to complete the Project prior to submission of the Final Invoice to the Air District for reimbursement. Air District's funding obligation under this Agreement is limited to reimbursement of Eligible Costs, as specified in Attachment B, the amount of which shall not exceed the TFCA Funds Awarded, also as specified in Attachment B. The Project Sponsor shall be solely responsible for all costs that exceed the TFCA Funds Awarded.

The City should claim only the eligible costs that have been fully paid for reimbursement from the Air District.

Condition, Cause and Effect

We reviewed the total expenditures charged to the project, amounting to \$43,866.70 (includes matching expenses). The eligible cost was claimed as \$51,692.25 by the City for reimbursement from the Air District, resulting in a difference of \$7,825.55.

As stipulated in the funding agreement, the maximum TFCA Funds Awarded as a Percentage of Eligible Costs for each approved bikeway ID is as follows.

9. **Approved Project Bicycle Facilities (Project Bikeway Components):**

Bikeway ID	Bikeway Class*	Bikeway Length (miles)	Eligible Costs	Maximum TFCA Funds Awarded	Maximum TFCA Funds Awarded as a Percentage of Eligible Costs	Maximum TFCA Funds Awarded Per Mile
18R20-1	Class II	0.37	\$11,818	\$10,500	88.8475%	\$28,378
18R20-2	Class II	0.49	\$13,417	\$12,050	89.8114%	\$24,592
18R20-3	Class II	0.71	\$24,318	\$12,000	49.3462%	\$16,901
Total:		1.57	\$49,553	\$34,550		

Consequently, the City was overpaid by \$3,752.91.

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City of Gilroy (18R20) continued

Questioned Costs

As a result, a total of \$3,752.91 represents unsupported non-payroll costs charged to TFCA Project 18R20.

The Schedule of Expenditures of Transportation Fund reflects an audit adjustment removing these costs from the Final Project Expenditures as of June 30, 2024.

Recommendation

We recommend that the City implement an invoice review and approval system which requires invoices along with payments to be reviewed and approved before being submitted to the Air District for reimbursement.

Project Sponsor's Response

The City acknowledges the auditor's finding regarding unsupported non-payroll expenditures and the resulting overpayment of \$3,752.91 for TFCA Project 18R20. Upon review, the discrepancy resulted from claiming project costs prior to confirming that all associated vendor invoices had been fully processed and paid.

To address this finding, the City will implement enhanced internal controls to ensure compliance with TFCA funding requirements. These improvements will include:

- Verification that all eligible project invoices are fully paid prior to submission for reimbursement.
- Documentation and approval of payment confirmation as part of the invoice reimbursement process.
- Staff training to reinforce TFCA reimbursement procedures and compliance requirements.

The City will also coordinate directly with the Bay Area Air Quality Management District to reconcile the identified overpayment in accordance with TFCA grant requirements.

The City is committed to maintaining high standards of fiscal accountability and ensuring future reimbursement requests fully comply with TFCA policies and the funding agreement.

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Significant Deficiencies in Internal Control

A total of three projects were identified as having significant deficiencies in internal control, which did not lead to questioned costs.

Below is a summary of the identified findings:

45th Street Artists' Cooperative, Inc. (2202-27777)

TFCA Project Affected

- Project Number: 2202-27777 (Significant Deficiency)
- Project Sponsor: 45th Street Artists' Cooperative, Inc.
- Project Description: Project Sponsor shall install and operate 2 single-port Level 2 (high) charging stations at 1 multi-unit dwelling facility in Emeryville.

Criteria

Non-payroll expenses incurred by the Sponsor are required to maintain proper invoicing documentation as stipulated in the funding agreement between the Bay Area Air Quality Management District (Air District) and the Sponsor:

The Project Sponsor shall prepare and maintain all necessary Project Records to document Project activities and performance, including invoicing documentation set forth in Section V of Attachment B, documentation to support the Project reporting requirements set forth in Attachment C, and insurance documentation set forth in Attachment D (all of which comprise "Project Records"). Project Records shall also include documentation that verifies compliance with the requirements set forth in Section II.8. The Project Sponsor shall keep Project Records in one central location for a period of three (3) years after the later of a) the date of the Air District's final payment, or b) the end of the Project Operational Period.

Invoices should be internally reviewed and approved before being processed for payment.

Condition, Cause and Effect

We reviewed the total expenses charged to the project, amounting to \$16,850.14 (includes matching expenses). The Project Sponsor is not able to provide support regarding general ledger information nor the invoice approval or payment approval process (including credit card payments) for all the expenses.

The Project Sponsor's lack of internal review and approval documentation for expenses establishes an internal control environment in which the Project Sponsor would be unable to prevent or detect potential unauthorized non-payroll incurred.

Consequently, the supporting documentation provided is not sufficient to support the total non-payroll costs charged amounting to \$16,850.14.

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45th Street Artists' Cooperative, Inc. (2202-27777) continued

Questioned Costs

None.

Recommendation

We recommend that the Project Sponsor implement an invoice review and approval system which requires invoices to be reviewed and approved before being processed for payment with clear review and approval evidence.

Project Sponsor's Response

The Co-op has established an invoice review and approval procedure in accordance with recommendations from a financial statement audit. Each invoice is examined and authorized by a board member, with signature and date required prior to processing for payment by management.

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EVmatch, Inc. (2302-33950)

Finding No. 2024-1 – Non-Payroll Expenses

TFCA Project Affected

- Project Number: 2302-33950 (Significant Deficiency)
- Project Sponsor: EVmatch, Inc.
- Project Description: Project Sponsor shall own, install, and operate electric vehicle charging stations with 8 Level 2 (high) active connectors at one multi-family housing facility in Oakland.

Criteria

Non-payroll expenses incurred by the Sponsor are required to maintain proper invoicing documentation as stipulated in the funding agreement between the Bay Area Air Quality Management District (Air District) and the Sponsor:

The Project Sponsor shall prepare and maintain all necessary Project Records to document Project activities and performance, including invoicing documentation set forth in Section V of Attachment B, documentation to support the Project reporting requirements set forth in Attachment C, and insurance documentation set forth in Attachment D (all of which comprise "Project Records"). Project Records shall also include documentation that verifies compliance with the requirements set forth in Section II.8. The Project Sponsor shall keep Project Records in one central location for a period of three (3) years after the later of a) the date of the Air District's final payment, or b) the end of the Project Operational Period.

According to *COSO Framework, 2013, Principle 10, Points of Focus*, an entity should develop control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Segregation of duties is typically built into the selection and development of control activities so that no one individual controls all key aspects of a transaction. One of the key examples of control activities under Principle 10 is segregation of duties and independent checks. Typically, one individual should review and approve invoices for validity and accuracy and a separate individual should review and authorize payments to ensure that only properly approved invoices are paid. However, COSO also acknowledges that complete segregation may not always be practical (e.g., in smaller entities). In those cases, management should design compensating controls.

Condition, Cause and Effect

During the audit of the total expenses charged against the project, amounting to \$52,234.44 (includes matching expenses), it was noted that the CEO maintained authority for both approving vendor invoices and initiating payments for those invoices.

When the same individual is authorized to both approve invoices and authorize payments, segregation of duties is compromised. This practice increases the risk of control override and diminishes adherence to internal control best practices established under the COSO Framework.

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EVmatch, Inc. (2302-33950) continued

Questioned Costs

None.

Recommendation

We recommend that the Project Sponsor implement appropriate segregation of duties by ensuring that invoice approval and payment authorization are performed by different individuals/roles. If implementing complete segregation is not feasible due to resource constraints, Project Sponsor could consider implementing compensating controls, such as independent payment reviews, exception reporting, or periodic audits.

Project Sponsor's Response

We do in fact have an internal review process for paying invoices. As the CEO, I review and pay every invoice and have control over all credit card expenses. I am the acting controller/CFO and review all expenses before they are paid. We have a closely held process for tracking invoices and all credit card payments. Only after I review in detail are payments made.

Auditor Rejoinder

The Project Sponsor's response describing the CEO's review and oversight of all invoices and payments does not resolve the underlying internal control deficiency identified in the finding. Concentrating invoice approval, credit card oversight, and payment authorization within a single individual, regardless of the level of scrutiny applied, does not provide for adequate segregation of duties, and does not constitute a compensating control under the COSO Framework. The purpose of segregation of duties is to ensure that no one person is responsible for multiple key stages of a transaction, thereby reducing the risk of error, misstatement, or override of controls.

While smaller organizations may lack the resources to implement full separation of responsibilities, compensating controls must involve an independent review by a person not involved in both invoice approval and payment processing. As independent controls were not in place during the audit period, the condition remains as reported.

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JKL Corporation (19EV064)

Finding No. 2024-1 – Non-Payroll Expenses

TFCA Project Affected

- Project Number: 19EV064 (Significant Deficiency)
- Project Sponsor: JKL Corporation
- Project Description: Project Sponsor shall install and operate 10 single-port level 2 (high) charging stations at 5 workplace facilities in San Jose, Walnut Creek, Pleasanton, and Fremont. (Significant Deficiency)

Criteria

Non-payroll expenses incurred by the Sponsor are required to maintain proper invoicing documentation as stipulated in the funding agreement between the Bay Area Air Quality Management District (Air District) and the Sponsor:

The Project Sponsor shall prepare and maintain all necessary Project Records to document Project activities and performance, including invoicing documentation set forth in Section 5 of Attachment B, documentation to support the Project reporting requirements set forth in Attachment C, and insurance documentation set forth in Attachment D (all of which comprise "Project Records"). Project Records shall also include documentation that verifies compliance with the requirements set forth in Section 11.8. The Project Sponsor shall keep Project Records in one central location for a period of three (3) years after the later of a) the date of the Air District's final payment, or b) the end of the Project Operational Period.

Invoices should be internally reviewed and approved before being processed for payment.

Condition, Cause and Effect

We reviewed the total expenses charged to the project, amounting to \$65,765.75 (includes matching expenses). The Project Sponsor is not able to provide support regarding general ledger information nor the invoice approval or payment approval process (including credit card payments) for all the expenses.

The Project Sponsor's lack of internal review and approval documentation for expenses establishes an internal control environment in which the Project Sponsor would be unable to prevent or detect potential unauthorized non-payroll incurred.

Consequently, the supporting documentation provided is not sufficient to support the total non-payroll costs charged amounting to \$65,765.75.

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JKL Corporation (19EV064) continued

Questioned Costs

None.

Recommendation

We recommend that the Project Sponsor implement an invoice review and approval system which requires invoices to be reviewed and approved before being processed for payment with clear review and approval evidence.

Project Sponsor's Response

The total amount spent on this project was provided by previous property managers who worked on this project. Respectfully, this was done years ago and none of the property managers who worked on this project work in this company anymore. Everything they provided was true to their knowledge.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM
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5 – OTHER PROGRAM COMPLIANCE REVIEW

An Agreed Upon Procedures (AUP) engagement was performed to test the project sponsor's compliance with other aspects of the TFCA Funding Agreement. These procedures were determined and prepared by the Air District for the auditors to perform.

The auditors issued a separate AUP Report on the results of the procedures performed.

APPENDIX A
HEALTH AND SAFETY CODE SECTIONS 44241 AND 44242

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM
REGIONAL FUND AND AIR DISTRICT-SPONSORED PROGRAMS
Appendix A - Health and Safety Code Sections 44241 and 44242
For Audit No. 26**

44241

- (a) Fee revenues generated under this chapter in the bay district shall be subvened to the bay district by the Department of Motor Vehicles after deducting its administrative costs pursuant to Section 44229.
- (b) Fee revenues generated under this chapter shall be allocated by the bay district to implement the following mobile source and transportation control projects and programs that are included in the plan adopted pursuant to Sections 40233, 40717, and 40919:
 - (1) The implementation of ridesharing programs.
 - (2) The purchase or lease of clean fuel buses for school districts and transit operators.
 - (3) The provision of local feeder bus or shuttle service to rail and ferry stations and to airports.
 - (4) Implementation and maintenance of local arterial traffic management, including, but not limited to, signal timing, transit signal preemption, bus stop relocation and "smart streets."
 - (5) Implementation of rail-bus integration and regional transit information systems.
 - (6) Implementation of demonstration projects in telecommuting and in congestion pricing of highways, bridges, and public transit. No funds expended pursuant to this paragraph for telecommuting projects shall be used for the purchase of personal computing equipment for an individual's home use.
 - (7) Implementation of vehicle-based projects to reduce mobile source emissions, including, but not limited to, engine repowers, engine retrofits, fleet modernization, alternative fuels, and advanced technology demonstrations.
 - (8) Implementation of a smoking vehicles program.
 - (9) Implementation of an automobile buy-back scrappage program operated by a governmental agency.
 - (10) Implementation of bicycle facility improvement projects that are included in an adopted countywide bicycle plan or congestion management program.
 - (11) The design and construction by local public agencies of physical improvements that support development projects that achieve motor vehicle emission reductions. The projects and the physical improvements shall be identified in an approved area-specific plan, redevelopment plan, general plan, or other similar plan.

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Appendix A - Health and Safety Code Sections 44241 and 44242
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44241 (continued)

- (c) (1) Fee revenue generated under this chapter shall be allocated by the bay district for projects and programs specified in subdivision (b) to cities, counties, the Metropolitan Transportation Commission, transit districts, or any other public agency responsible for implementing one or more of the specified projects or programs. Fee revenue generated under this chapter may also be allocated by the bay district for projects and programs specified in paragraph (7) of subdivision (b) to entities that include, but are not limited to, public agencies, consistent with applicable policies adopted by the governing board of the bay district. Those policies shall include, but are not limited to, requirements for cost-sharing for projects subject to the policies. Fee revenues shall not be used for any planning activities that are not directly related to the implementation of a specific project or program.
- (2) The bay district shall adopt cost-effectiveness criteria for fee revenue generated under this chapter that projects and programs are required to meet. The cost-effectiveness criteria shall maximize emissions reductions and public health benefits.
- (d) Not less than 40 percent of fee revenues shall be allocated to the entity or entities designated pursuant to subdivision (e) for projects and programs in each county within the bay district based upon the county's proportionate share of fee-paid vehicle registration.
- (e) In each county, one or more entities may be designated as the overall program manager for the county by resolutions adopted by the county board of supervisors and the city councils of a majority of the cities representing a majority of the population in the incorporated area of the county. The resolution shall specify the terms and conditions for the expenditure of funds. The entities so designated shall be allocated the funds pursuant to subdivision (d) in accordance with the terms and conditions of the resolution.
- (f) Any county, or entity designated pursuant to subdivision (e), that receives funds pursuant to this section, at least once a year, shall hold one or more public meetings for the purpose of adopting criteria for expenditure of the funds, if those criteria have been modified in any way from the previous year. Any county, or entity designed pursuant to subdivision (e), that receives funds pursuant to this section, at least once a year, shall also hold one or more public meetings to review the expenditure of revenues received pursuant to this section by any designated entity. If any county or entity designated pursuant to subdivision (e) that receives funds pursuant to this section has not allocated all of those funds within six months of the date of the formal approval of its expenditure plan by the bay district, the bay district shall allocate the unallocated funds in accordance with subdivision (c).

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TRANSPORTATION FUND FOR CLEAN AIR PROGRAM
REGIONAL FUND AND AIR DISTRICT-SPONSORED PROGRAMS
Appendix A - Health and Safety Code Sections 44241 and 44242
For Audit No. 26**

44242

- (a) Any agency which receives funds pursuant to Section 44241 shall, at least once every two years, undertake an audit of each program or project funded. The audit shall be conducted by an independent auditor selected by the bay district in accordance with Division 2 (commencing with Section 1100) of the Public Contract Code. The district shall deduct any audit costs which will be incurred pursuant to this section prior to distributing fee revenues to cities, counties, or other agencies pursuant to Section 44241.
- (b) Upon completion of an audit conducted pursuant to subdivision (a), the bay district shall do both of the following:
 - (1) Make the audit available to the public and to the affected agency upon request.
 - (2) Review the audit to determine if the fee revenues received by the agency were spent for the reduction of air pollution from motor vehicles pursuant to the plan prepared pursuant to Sections 40233 and 40717.
- (c) If, after reviewing the audit, the bay district determines that the revenues from the fees may have been expended in a manner which is contrary to this chapter or which will not result in the reduction of air pollution from motor vehicles pursuant to that plan, the district shall do all of the following:
 - (1) Notify the agency of its determination.
 - (2) Within 45 days of the notification pursuant to paragraph (1), hold a public hearing at which the agency may present information relating to expenditure of the revenues from the fees.
 - (3) After the public hearing, if the district determines that the agency has expended the revenues from the fees in a manner which is contrary to this chapter or which will not result in the reduction of air pollution from motor vehicles pursuant to the plan prepared pursuant to Sections 40233 and 40717, the district shall withhold these revenues from the agency in an amount equal to the amount which was inappropriately expended. Any revenues withheld pursuant to this paragraph shall be redistributed to the other cities within the county, or to the county, to the extent the district determines that they have complied with the requirements of this chapter.
- (d) Any agency which receives funds pursuant to Section 44241 shall encumber and expend the funds within two years of receiving the funds, unless an application for funds pursuant to this chapter states that the project will take a longer period of time to implement and is approved by the district or the agency designated pursuant to subdivision (e) of Section 44241. In any other case, the district or agency may extend the time beyond two years, if the recipient of the funds applies for that extension and the district or agency, as the case may be, finds that significant progress has been made on the project for which the funds were granted.

APPENDIX B
LISTING OF AUDITED PROJECTS

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM
REGIONAL FUND AND AIR DISTRICT-SPONSORED PROGRAMS**

**Appendix B – Listing of Audited Projects
For Audit No. 26**

TFCA Project Number	Project Sponsor	Project Title	Final Project Expenditures through 6/30/2024
20R11	Town of Los Gatos	Install 1.58 miles of Class IV bikeway in Los Gatos	\$ 293,900.00
22SBP232	Antioch Unified School District	School Bus Replacement	777,402.00
2302-33950	EVmatch, Inc.	EVmatch, Inc's Electric Vehicle Charging Station Project	36,000.00
19EV063	City of Milpitas	City of Milpitas' Electric Vehicle Charging Station Project	32,000.00
17R21	City of San Leandro	San Leandro Bikeway Project	70,773.00
18R15	City of San Rafael	City of San Rafael Bikeway Project	161,689.55
18R20	City of Gilroy	City of Gilroy Bikeway and Bicycle Rack Project	30,797.09
2202-27777	45th Street Artists' Cooperative, Inc.	45th Street Artists' Cooperative, Inc.'s Electric Vehicle Charging Station Project	14,000.00
19EV064	JKL Corporation	JKL Corporation's Electric Vehicle Charging Station Project	30,000.00
24R00	Bay Area Air Quality Management District	Administration	857,039.00
24R01	Bay Area Air Quality Management District	Enhanced Mobile Source Inspections/ Commuter Benefits Program	8,583.00
24R02	Bay Area Air Quality Management District	Vehicle Buy Back Program	254,000.00
24R03	Bay Area Air Quality Management District	Spare the Air/Intermittent Control Programs	1,638,650.00
Final Project Expenses			\$ 4,204,833.64
Total Projects			13
Total Project Sponsors			10