



Washington State Auditor's Office

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Maia D. Bellon, Director
Department of Ecology
P.O. Box 47612
Olympia, WA 98504-7612

To the Director and Management of Department of Ecology:

We have performed the procedures enumerated below, which were agreed to by the management of Department of Ecology (Department), solely to assist the specified parties in evaluating the Air Operating Permit (AOP) program for the period July 1, 2013 through June 30, 2015. The Department's management is responsible for the managing the AOP program and for the accuracy of its financial records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed Upon Procedures

In relation to the Department of Ecology's AOP program, we performed the following procedures:

Collection of Fees

1. Inspect written procedures for developing, assessing and collecting fees from its sources and determine whether it is more than three years old.

Results: We reviewed the Department of Ecology's Air Operating Permit Guidance document and determined that it was last updated April 2015 which is within three years.

2. Compare total fees invoiced for the engagement period to total amount received to ensure all invoiced amounts were collected.

Results: We compared the amount invoiced to the amount received:

Fiscal Year	Invoiced	Received	Difference
2014	\$1,327,021	\$1,323,426	(\$3,595)
2015	\$1,424,769	\$1,428,032	\$3,263

3. If total fees invoiced for the engagement period did not equal the amount received, determine the amount of, and the reason for, any shortfalls or overages.

Results: The revenue shortfall of \$3,595 in FY14 was due to a late payment. The excess revenue of \$3,263 in FY15 was due to the net effect of receiving the late FY14 payment and a refund distribution of \$332 to correct an error in fee calculation.

4. Inspect a judgmental selection of AOP program permit accounts receivable for each fiscal year and determine whether late fees have been assessed, in accordance with the Department's fee schedule, for fees collected after February 28th and collection measures were initiated in accordance with Department policies and procedures.

Results: We reviewed aging reports to identify delinquent accounts. We determined that all applicable policies and procedures related to late fees were followed. No exceptions were found as a result of applying the procedure.

Computation of Fees

5. Recalculate the amount invoiced for a selection of AOP program permits issued during the engagement period to ensure fees were calculated correctly.

Results: We recalculated the amount invoiced for a selection of AOP permits issued during the engagement period and determined all fees were calculated correctly.

6. Identify facilities that were closed during the engagement period and recalculate fees charged to verify their accuracy.

Results: We determined that no facilities closed during the engagement period.

7. Verify the AOP program is performing an analysis of all potential operating permit sources on an annual basis.

Results: We obtained an understanding of the AOP program's monitoring procedures and verified it was analyzing all potential operating permit sources on an annual basis.

Timely Distribution of Billing Statements

8. Inspect invoice dates for each fiscal year and determine whether invoices were distributed by the deadline for each fiscal year.

Results: We reviewed all invoice dates and determined that invoices were distributed by the appropriate deadlines.

Revenue & Expenditures Accounting

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

Results: We identified the Air Operating Permit Account as the fund used to account for AOP program revenue and expenses.

10. Review all Department funds and accounts used to account for AOP program revenue and expenses to determine whether AOP program revenue and expenses were commingled with other revenue sources or expenses.

Results: We reviewed the fund used to account for AOP program revenue and expenses and determined that AOP program revenue and expenses were not commingled with any other revenue sources or expenses.

11. Review expenses accounted for in non-AOP program accounts during the engagement period to determine whether they were for AOP program activities.

Results: We reviewed a selection of expenses from three non-AOP program accounts and determined none were for AOP program activities.

Authorized Activities

12. Review AOP program expenses (including payroll) for the engagement period and determine whether they were for allowable program activities.

Results: We reviewed a selection of AOP program expenses (including payroll) for the engagement period and determined all were allowable per WAC 173-401-940.

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

Results: Per discussion with the management of the AOP program, it was determined this agreed upon procedure would not be performed.

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

Results: We inspected the Department’s indirect cost allocation policy and reviewed support allowing us to determine that indirect costs were not charged to the program as direct costs.

Available Funds

15. Inspect the balance sheet of the AOP program account and determine whether or not the AOP program had a negative fund balance at any time during the engagement period.

Results: We reviewed all monthly balance sheets for the AOP program account during our engagement period. We determined that there were three months for which the fund had a negative balance.

Date	Fund Balance
December 31, 2013	\$ (62,514.96)
November 30, 2014	\$ (58,953.12)
December 31, 2014	\$ (230,337.66)

16. Identify whether AOP program revenues were in excess or under actual program costs during the engagement period and determine whether the Department followed its policy for handling excess program revenue.

Results: In fiscal year 2014, program revenues were in excess of program costs by \$25,796. We determined the Department appropriately followed its policy for handling excess program revenues. In fiscal year 2015 program revenues were less than program costs by \$250,127.

17. Ensure all Title V facilities are billed for permit fees on an annual basis.

Results: We obtained a listing of all Title V sources and ensured during our testing of invoice distribution that each of the Title V facilities was billed for permit fees on an annual basis. No exceptions were found as a result of applying the procedure.

18. Determine whether there was a budget decrease or increase during the engagement period, and if so, the percentage amount of the increase or decrease and reason for the change.

Results: We determined that there was a budget decrease during the engagement period of 2.33%. AOP staff explained that the budget decrease was due to an influx in the processing of source permit renewals during fiscal year 2014. The budget decrease was reflective of less time spent processing AOP permit renewals in fiscal year 2015.

19. Verify the most current AOP employee salary information was used when establishing the program budget.

Results: We reviewed salary information for a selection of AOP program employees and determined the most current wages and benefits information had been used when establishing the program budget.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial information of the Department's AOP program. 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 Director and Management of the Washington State Department of Ecology's Air Operating Permit program and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read 'SM', with a long horizontal flourish extending to the right.

Sarah Mahugh, MBA, CPA

Audit Manager

Washington State Auditor's Office

Olympia, Washington

September 6, 2016