



Washington State Auditor's Office

Pat McCarthy

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Northwest Clean Air Agency
1600 S. 2nd Street
Mount Vernon, WA 98273

To the Board and Management of Northwest Clean Air Agency:

We have performed the procedures enumerated below, which were agreed to by the management of Northwest Clean Air Agency and the Washington State Department of Ecology, solely to assist the specified parties in evaluating the Agency's Air Operating Permit (AOP) program for the fiscal years 2015 and 2016. The Agency's management is responsible for 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 Agency's Air Operating Permit (AOP) program:

1. Determine how much AOP revenue was collected each fiscal year
2. Determine whether AOP fees were computed correctly

Results of Procedures

1. The AOP program collected \$2,511,627 in fiscal year 2015, and \$3,030,645 in fiscal year 2016.
2. We used the AOP Fee Allocation spreadsheet and traced amounts to supporting documents to determine whether AOP fees were computed correctly for each fiscal year. No exceptions were found as a result of applying this procedure for fiscal year 2015. However, an accounting error resulted in an overbilling of \$135,408 for fiscal year 2016. The Agency noted this error

during its 2016 year-end reconciliation and has already sent refunds to the affected entities.

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| 3. Determine whether invoices were sent out in a timely manner | 3. Based on our review of invoices, we determined invoices were sent out in a timely manner. |
| 4. Determine whether billed fees were actually collected | 4. Based on our review of payments, the Agency collected 100 percent of the amounts billed for the AOP program in fiscal years 2015 and 2016. |
| 5. Determine how the local air authority accounted for AOP fee revenues | 5. The Agency uses fund 10 to code AOP fee revenues. AOP revenues are not commingled with other revenue sources in the accounting system. |
| 6. Determine how the local air authority accounted for AOP fee expenses | 6. The majority of AOP expenses are payroll costs. These costs are charged to unique AOP accounts. They are not commingled with other costs in the accounting system. |
| 7. Determine whether AOP fee revenues were used only for authorized activities | AOP fee revenues were used to reimburse labor and overhead costs that were attributable to the AOP program. We noted no inappropriate expenditures charged to the AOP program. |

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 Agency'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 Board and Management of the Agency and the Department of Ecology, 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,



Deena Garza, Audit Manager
Washington State Auditor's Office
Bellingham, Washington
January 30, 2017