



Linda S. Adams
Secretary for
Environmental Protection

Air Resources Board

Robert F. Sawyer, Ph.D., Chair
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov



Arnold Schwarzenegger
Governor

October 2, 2006

Dr. Barry Wallerstein
Air Pollution Control Officer
South Coast AQMD
21865 East Copley Drive
Diamond Bar, California 91765-4182

Dear Dr. Wallerstein:

As you know, the Air Resources Board recently conducted a review of the South Coast Air Quality Management District's Carl Moyer Program. This was part of our program oversight responsibility per state law [Health and Safety Code section 44291(d)]. We appreciate the professionalism and cooperation of your staff during the audit.

Our report is enclosed and our major findings can be summarized as follows. In many areas, including outreach and project diversity, the District operates an exemplary program. However, we have three critical findings that require action. The most serious concern is that the District has not, in the past, expended funds in a timely manner. Approximately \$10 million of prior year awards have yet to be expended. This tardiness has delayed the expected emissions reductions for a significant portion of the program. Our second critical finding relates to the cost-effectiveness calculations for two projects. The third finding has to do with missing contract language requirements. We understand that the District has taken steps to remedy all of these issues and we appreciate those efforts.

As a formality I need to remind you that ARB's audit guidelines give the District 30 days from the date of this letter to submit a written plan of action to address the findings in the audit report. Also per the guidelines, if the District does not act, its Carl Moyer Program will be deemed "at-risk" and additional oversight from ARB may be required.

Our audit report and your written responses are public, and will be included in the annual Carl Moyer Program update to our governing Board in January 2007. We encourage the District to make this information public locally as well.

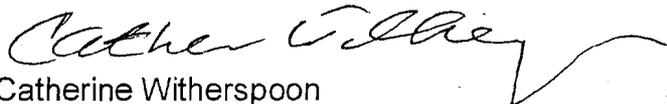
The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Dr. Barry Wallerstein
October 2, 2006
Page 2

If you have any questions about the audit, please contact me at (916) 445-4383 or contact Mr. Robert H. Cross, Chief, at (626) 575-6807.

Sincerely,



Catherine Witherspoon
Executive Officer

Enclosure

cc: Ms. Diana C. Anthony, CPA
Auditor/Evaluation Manager
Department of Finance
915 L Street
Sacramento, California 95814

Ms. Jennifer Arbis
Auditor/Evaluation Supervisor
Department of Finance
915 L Street
Sacramento, California 95814

Mr. Chung Liu
Deputy Executive Officer
South Coast AQMD
21865 E. Copley Drive
Diamond Bar, California 91765-4182

Mr. Fred Minassian, Manager
South Coast AQMD
21865 E. Copley Drive
Diamond Bar, California 91765-4182

Mr. Mel Zeldin, Director
California Air Pollution Control Officers Association
980 9th Street, 16th Floor
Sacramento, California 95814

Continued next page

Dr. Barry Wallerstein
October 2, 2006
Page 3

cc: Mr. Larry Allen, APCO
California Air Pollution Control Officers Association
3433 Roberto Court
San Luis Obispo, California 93401-7126

Mr. Doug Quetin, APCO
California Air Pollution Control Officers Association
24580 Silver Cloud Court
Monterey, California 93940-6536

Ms. Barbara Lee
Air Pollution Control Officer
Northern Sonoma Air Pollution Control District
150 Matheson Street
Healdsburg, California 95448