



OFFICE OF THE CITY AUDITOR
Long Beach, California

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**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

November 5, 2009

Mr. Sam Joumblat
Chief Financial Officer
Port of Long Beach

We have performed the procedures enumerated below, which were agreed to by Port of Long Beach (POLB) management and the Office of the City Auditor, solely to assist POLB management in determining whether applicants during the Clean Trucks Program round three drawing met the application criteria established by POLB management. The POLB management is responsible for creating and administering the Clean Trucks Program, its related internal controls, and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with U.S. Generally Accepted Government Auditing Standards, which, for attestation engagements, incorporate the American Institute of Certified Public Accountants general standard on criteria, and the fieldwork and reporting standards and the related Statements on Standards for Attestation Engagements. The sufficiency of the procedures is solely the responsibility of management. 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.

The procedures performed and our findings are as follows:

1. We obtained a list of all applicants used for the POLB Clean Trucks Program round three drawing on July 7, 2009 segregated by qualified, disqualified, and pending applicants.

Observation: We originally performed our procedures on a list of applicants provided to us by the POLB's Consultant (Consultant) for the Clean Trucks Program (Program). The POLB hired the Consultant to oversee the Program, including review of the applications for eligibility. However, subsequent to our fieldwork, the Consultant informed us that the list we received and used to

perform our procedures was not the final list that was used during the round three drawing on July 7, 2009. Therefore, we re-performed our procedures based on the final list that was used for the round three drawing. The results of those procedures are enumerated below.

2. We verified that the final list we received in Step 1 above agreed to the list used for the round three drawing held on July 7, 2009.

Result: No exceptions were noted as a result of our procedures.

3. We selected 30 qualified and 30 disqualified applicants from the final list obtained in Step 1 above and obtained the file for each selected applicant.

Result: No exceptions were noted as a result of our procedures.

4. For all qualified applicants, we performed the following procedures:

- a) Verified that the following established application requirements were on file for each type of funding:

- i) New LNG Truck Funding:

- (1) Completed and signed application – Forms A through F.

Result: No exceptions were noted as a result of our procedures.

- (2) Completed and signed IRS W-9.

Result: No exceptions were noted as a result of our procedures.

- (3) Copy of the front and back of a valid Transportation Worker ID Credential (TWIC) Card (applicable to individuals).

Result: No exceptions were noted as a result of our procedures.

- (4) Copy of the front and back of a valid California Driver's License (applicable to individuals).

Result: No exceptions were noted as a result of our procedures.

ii) New Diesel Truck Funding:

- (1) Completed and signed application – Forms A through F. (Note: There are two forms noted as "Form E": 1) IRS W-9 and 2) Independent Owner/Operator Credit Application.)

Result: No exceptions were noted as a result of our procedures.

- (2) Copy of current DMV registration and DMV printout of registration payments for the truck.

Finding: Three out of three New Diesel Truck Funding files we reviewed did not have the DMV printout of registration payments for the truck on file.

Management's Response:

As discussed in the closing meeting, it was an oversight to have left this test in the Agreed-Upon-Procedures and it should have not been performed. It was never the intent to collect the DMV records before the drawing. This is because applicants were not assured of getting a truck and it would have been an unnecessary cost for applicants that were not successful in the drawing. Some applicants produced these records on their own based on past practice in previous Clean Trucks Program rounds, before the drawing concept was introduced. Applicants were asked to produce proof of registration and a DMV printout of registration payments for the truck on file only after they were selected in the drawing.

- (3) Completed and signed IRS W-9.

Result: No exceptions were noted as a result of our procedures.

- (4) Copy of the front and back of a valid TWIC Card (applicable to individuals).

Result: No exceptions were noted as a result of our procedures.

- (5) Copy of the front and back of a valid California Driver's License (applicable to individuals).

Result: No exceptions were noted as a result of our procedures.

iii) Truck Retrofit Funding:

- (1) Completed and signed application – Forms A through E.

Result: No exceptions were noted as a result of our procedures.

- (2) Completed and signed IRS W-9.

Result: No exceptions were noted as a result of our procedures.

- (3) Copy of current DMV registration and DMV printout of registration payments for the truck.

Finding: Six out of ten Truck Retrofit Funding files we reviewed did not have the DMV printout of registration payments for the retrofitted truck on file.

Management's Response:

As discussed in the closing meeting, it was an oversight to have left this test in the Agreed-Upon-Procedures and it should have not been performed. It was never the intent to collect the DMV records before the drawing. This is because applicants were not assured of getting a truck and it would have been an unnecessary cost for applicants that were not successful in the drawing. Some applicants produced these records on their own based on past practice in previous Clean Trucks Program rounds, before the drawing concept was introduced. Applicants were asked to produce proof of registration and a DMV printout of registration payments for the truck on file only after they were selected in the drawing.

- (4) Copy of the front and back of a valid TWIC Card (applicable to individuals).

Result: No exceptions were noted as a result of our procedures.

- (5) Copy of the front and back of a valid California Driver's License (applicable to individuals).

Result: No exceptions were noted as a result of our procedures.

- (6) Quote from the retrofit installer identifying the following:

- Retrofit hardware capital cost;
- Labor associated with installation of the retrofit;

- Miscellaneous hardware required for installation (i.e. exhaust piping, wire, hoses, etc.); and
- Taxes.

Result: No exceptions were noted as a result of our procedures.

- b) Verified that dates on the Port's log sheets and/or date stamp on the application were prior to the application submission deadline.

Findings: This data was unavailable:

- The applications were not date-stamped upon receipt by POLB;
- POLB personnel represented that the Port stopped logging in applicants on the Clean Trucks Program Sign-In Sheet (Sign-In Sheet) during the last day of the application period due to the volume of applicants;
- If the application was submitted by anyone other than the applicant, the applicant's name would not be reflected on the Sign-In Sheet. As such, the date of application submittal would not be traceable;
- Information on the Sign-In Sheet was incomplete. We noted the following critical information was missing on certain Sign-In Sheets:
 - Date of visit;
 - Reason for visit;
 - Full name of visitor; and
 - Telephone number of visitor.

Management's Response:

POLB's program administrator at the Clean Trucks Center (CTC) used a sign-in sheet to ascertain who came into the CTC but has never employed a system of time stamping received applications. The program administrator is on record to represent that no applications were accepted after the deadline of Friday, June 5, 2009, at 4 p.m. Management is satisfied with the program administrator's representation that the deadline was honored and that no applications were allowed beyond that time.

5. For applicants who were disqualified, we performed the following procedures:

- a) If the applicant was disqualified by the Port, and if the reason(s) for disqualification was documented and related to the absence of required information, we reviewed the file and verified that the required information was not in the file.

Result: No exceptions were noted as a result of our procedures.

- b) If the applicant was disqualified by the Port, and if the reason(s) for disqualification was related to invalid or otherwise nonconforming information that was submitted, we reviewed the relevant document(s) and verified that the document(s) was consistent with the stated reason for disqualification.

Result: No exceptions were noted as a result of our procedures.

- c) If the applicant was disqualified by Daimler Truck Financial (Daimler), we reviewed the file and verified that a denial letter was on file.

Result: No exceptions were noted as a result of our procedures.

- d) For applicants that were denied by Daimler, applicants should have been sent a "Notice of Rights to Appeal" letter. We reviewed the USPS Return Receipt (Electronic) spreadsheet and verified that the status of the column titled "Last Event" indicated that the letter was sent (i.e. delivered, notice left, etc.).

Result: No exceptions were noted as a result of our procedures.

6. We observed the selection process for each of the three application types and recorded the results (Ranking List), which listed the applicants in winning order. We subsequently obtained the POLB's final Ranking List and compared that list to the list we recorded during the selection process.

Result: No exceptions were noted as a result of our procedures.

7. We obtained the POLB's final list of awardees and compared it to the Ranking List to determine whether the awards were made in sequential order consistent with the Ranking List.

Results: With respect to the three application pools, we found the following:

- Thirteen applicants who were in line to receive LNG trucks were not awarded trucks. Per the POLB, these 13 applicants were not awarded trucks for the following reasons:
 - 10 applicants voluntarily declined the award;
 - 2 applicants were ineligible because they did not meet the Port's drayage service requirements; and
 - 1 applicant was non-responsive.
- Nine applicants who were in line to receive new diesel or other trucks were not awarded trucks. Per the POLB, these nine applicants were not awarded trucks for the following reasons:
 - 4 applicants voluntarily declined the award;

- 2 applicants were denied by Daimler, although they protested their credit application denials;
 - 1 applicant was ineligible because he did not meet the Port's drayage service requirements;
 - 1 applicant was non-responsive; and
 - 1 applicant was already awarded an LNG truck.
- We did not perform this procedure for Truck Retrofit Funding, because the POLB is still in the process of finalizing their list of awardees.
8. For those applicants who were on the final list of awardees, but were not awarded an LNG or other truck due to the reasons represented to us by the POLB in Step 7 above, we performed the following procedures:
- a) Contacted the 14 applicants who voluntarily declined the award to verbally confirm with each applicant that they did indeed decline the award.

- Results:**
- Seven applicants verbally confirmed that they declined the award;
 - Six applicants did not return our repeated phone calls and messages left for them; and
 - One LNG applicant represented to us that he declined the truck only because the Port did not give him the requested additional time to make a decision whether to accept the truck. He stated that the Port gave him only four days (until 7/14/09) from original notification to make a final decision and that he would have accepted the truck had he been given additional time. Our review of POLB documentation supports that timeframe. In comparison, the LNG awardee who was non-responsive was given 14 days (until 7/27/09) to respond to the Port.

Management's Response:

Based on records from the program administrator, the awardee in bullet point number three above was removed from the program at his request. Through the random drawing for Sterling trucks, this awardee's name was drawn in the first drawing which made him eligible to lease a Sterling truck only. This awardee was scheduled to sign his Participant Agreement and approval documents were sent to the truck dealer for the Sterling truck; however, this awardee decided ultimately not to take the Sterling truck and instead he was attempting to negotiate to lease a different-brand truck.

Because the awardee's only choices were to either accept the Sterling truck (since he was successful in only the Sterling truck drawing) or decline the award, his request to lease a different-brand truck could not be

accommodated, in accordance with the rules of the drawing. When the awardee insisted on a different truck and would not commit to the Sterling, he had to be given a limited time to decide and ultimately decided he did not want the Sterling truck.

The finding compares this case with another case where an awardee was given 14 days to respond. In our view, these two cases are not comparable. In the first case, the program administrator was in constant communication with the awardee who was attempting to change the rules of the drawing and substitute the Sterling for another truck. In the second case, the program administrator was simply not able to get in touch with the awardee and therefore classified him as "non-responsive." To be fair, the program administrator then gave this second awardee additional time in case he was out of town and not reachable.

In our opinion, four days is ample time to decide what should have been established at the time the awardee first applied to be considered in the Sterling drawing. On the other hand, 14 days is fair for someone that could not be reached. Consequently, a comparison of the time allowed to the applicants before being removed from the program is not appropriate.

- b) For the two awardees who were ultimately denied by Daimler, we reviewed the applicants' files to determine if they presented documentation supporting their protest of the credit decision.

Result: Per the POLB, these two applicants did not provide the Port with documentation supporting their reason(s) for contesting Daimler's decision. There was no documentation in the applicants' files to indicate they had provided additional information to disprove their credit denial.

- c) Reviewed relevant documents for applicants who did not meet the Port's drayage service requirements and verified that the document was consistent with the stated reason for ineligibility.

Result: No exceptions were noted as a result of our procedures.

- d) Determined whether attempts were made to contact non-responsive applicants and documented by the POLB.

Result: No exceptions were noted as a result of our procedures.

- e) Verified that the applicant who was not awarded a diesel or other truck was already awarded an LNG truck.

Result: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the sufficiency of the application criteria used in qualifying or disqualifying applicants. 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 use of the Port of Long Beach management, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in blue ink that reads "Laura L. Doud". The signature is written in a cursive, flowing style.

Laura L. Doud, CPA
CITY AUDITOR