

MOTORCAR PARTS AMERICA INC

Form 10-Q/A

October 17, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q/A  
(Amendment No. 2)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2006**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
Commission File No. 0-23538  
MOTORCAR PARTS OF AMERICA, INC.  
(Exact name of registrant as specified in its charter)**

New York

11-2153962

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

2929 California Street, Torrance, California

90503

(Address of principal executive offices)

Zip Code

Registrant's telephone number, including area code: (310) 212-7910

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

There were 12,062,280 shares of Common Stock outstanding at October 16, 2007.

**DOCUMENTS INCORPORATED BY REFERENCE: None**

**EXPLANATORY NOTE**

This Form 10-Q/A Amendment No. 2 amends our report on Form 10-Q/A Amendment No. 1 ( Amendment No. 1 ) for the fiscal quarter ended December 31, 2006 solely for the purpose of including therein Item 4. Controls and Procedures, which was not included in Amendment No. 1 as originally filed on July 13, 2007. In addition, we have included as exhibits to this Form 10-Q/A currently dated certifications from our Chief Executive Officer and Chief Financial Officer.

Except as described above, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q for the fiscal quarter ended December 31, 2006. Accordingly, this Form 10-Q/A does not reflect events occurring after the date of the original filing of the Form 10-Q or modify or update those disclosures affected by subsequent events. Consequently, all other information not affected by this Form 10-Q/A is unchanged by this Form 10-Q/A and reflects the disclosures made at the time of the original filing of the Form 10-Q on July 13, 2007. For a description of subsequent events, this Form 10-Q/A should be read in conjunction with our filings made subsequent to July 13, 2007, including our report on Form 10-Q for the quarter ended June 30, 2007, each of our reports on Form 10-Q/A filed since July 13, 2007 and each of our reports on Form 8-K filed since July 13, 2007.

**MOTORCAR PARTS OF AMERICA, INC.**

*Unless the context otherwise requires, all references in this Annual Report on Form 10-Q/A to the Company, we, us, and our refer to Motorcar Parts of America, Inc. and its subsidiaries.*

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#### **Item 4. Controls and Procedures**

In connection with the preparation and filing of this Quarterly Report, we completed an evaluation of the effectiveness of our disclosure controls and procedures under the supervision and with the participation of our chief executive officer and chief financial officer. This evaluation was conducted as of the end of the period covered by this report, pursuant to the Securities and Exchange Act of 1934, as amended.

Based on this evaluation, our chief executive officer and chief financial officer concluded that there remain certain deficiencies we consider to be material weaknesses in our disclosure controls and procedures as of the end of the period covered by this report, notwithstanding the improvements we have made in this regard. These deficiencies are discussed below.

Because we receive a critical remanufacturing component through customer returns and we offer marketing allowances and other incentives that impact revenue recognition, we recognize that the accounting for our operations is more complex than that for many businesses of our size or larger. In addition, the expansion of our overseas operations and the increase in our overall level of activity have put additional strains on our system of disclosure controls and procedures. To address this, we have added an experienced new chief financial officer and a new controller to help assure that we remain current with the relevant accounting literature and official pronouncements and that our disclosure controls and procedures remain effective and up-to-date. Our chief financial officer regularly reviews our accounting controls and procedures to identify and address areas where these controls could be improved.

During the audit of our financial statements included in our Form 10-K for the year ended March 31, 2006, Grant Thornton LLP, our independent auditing firm, notified our Audit Committee and management that they had identified material weaknesses in our internal controls. Grant Thornton noted that (i) we failed to record unreturned core inventory and core charge revenue for the core portion of certain finished goods sold, (ii) we overstated inventory by not properly tracking unreturned core inventory from POS sales and (iii) we incorrectly calculated the value of finished goods to be returned from customers through stock adjustments. In addition, Grant Thornton noted discrepancies in our allocation of indirect labor costs to value finished goods inventory. We believe these errors were mainly attributable to the inexperience of personnel recently reassigned in our accounting department.

As part of our current evaluation of the effectiveness of our disclosure controls and procedures under the supervision and with the participation of our chief executive officer and chief financial officer, we undertook a review of our accounting policies and procedures and the relevant accounting literature and pronouncements, and considered Grant Thornton's views in this regard, together with our own observations. Based upon this evaluation, we have concluded that there is a material weakness in our disclosure controls and procedures, as summarized above, and that our disclosure controls and procedures were not effective as of December 31, 2006 due to such material weakness.

In an on-going effort to remedy these weaknesses, we have increased the active participation of our Audit Committee in the evaluation of our accounting policies and disclosure controls. We believe these changes to our disclosure controls and procedures and the ones discussed above will be adequate to provide reasonable assurance that the objectives of these control systems will be met.

Except as noted in the preceding paragraphs, there have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect financial reporting.

**SIGNATURES**

Pursuant to the requirements of Section 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-Q/A to be signed on its behalf by the undersigned, thereunto duly authorized.

MOTORCAR PARTS OF AMERICA, INC

Dated: October 17, 2007

By: /s/ Mervyn McCulloch  
Mervyn McCulloch  
Chief Financial Officer