

CARB Audit of VCAPCD Carl Moyer Program
Response to Audit Findings

August 16, 2006

Finding 1: The District funded two ineligible projects.

Response: The finding should have stated, "The District funded one ineligible project and a second project, which included funding for five ineligible vehicles." The second project also included a fueling infrastructure component that was eligible for funding. As stated in the condition, the District has already repaid and reprogrammed the funds to a project that the District paid for with local, non-Carl Moyer funds.

As directed in the required actions, the District reviewed all program project files. As a result of the review, staff determined two projects, one in Phase 3 and one in Phase 4, included funding for a total of ten (10) vehicles, which were ineligible for funding. Three (3) of those vehicles have been completed. The District will pay, \$119,198, for those vehicles with local, non-Carl Moyer funds and add those funds to Phase 8 of the Program. Work on seven (7) of the vehicles has not yet begun. The project proponent has signed an amendment cancelling funding, \$280,000, for those vehicles. The funds, \$105,568 from Phase 3 and \$293,630 from Phase 4, will be moved to Phase 8 and used to fund projects, which meet the guidelines for Phase 8.

Attachment 2 shows the original project funding, obligations, and expenditures for Phase 3 of the Carl Moyer Program. Attachment 3, the revised project funding, obligations, and expenditures for Phase 3 of the Carl Moyer Program, shows that \$287,494 (\$105,568 from VCCMP01-01 and \$181,926 from VCCMP02-01) in Air Resources Board (ARB) project funding and \$25,628.44 (from VCCMP02-01) in match funds has been reprogrammed to Phase 8. Attachment 3 also shows that the remaining project funding, both ARB and match, has been obligated and expended. Attachment 4 is a revised final report for Phase 3.

Attachment 5 shows the original project funding, obligations, and expenditures for Phase 4 of the Carl Moyer Program. Attachment 6, the revised project funding, obligations, and expenditures for Phase 4 of the Carl Moyer Program, shows that \$201,127 (from VCCMP02-13) in ARB project funding and \$92,503 (from VCCMP02-13) in match funds has been reprogrammed to Phase 8. Attachment 6 also shows that the remaining project funding, both ARB and match, has been obligated and expended. Attachment 7 is a revised final report for Phase 4.

The finding states, "District staff must provide the ARB with revised final reports for all affected years." As stated above, the revised reports for Phases 3 and 4 are attached; however, the final report for Phase 8 cannot be provided until the funds are obligated and expended. The final report for Phase 8 will be provided on or before the scheduled due date of June 30, 2008.

Finding 2: There was no documentation of notification of incomplete applications.

Response: District staff has rarely determined that a Carl Moyer grant application was incomplete requiring written notification to the project proponent/applicant. In an effort to expedite the application and approval process and gain the benefit of the emission reductions resulting from project implementation, District staff has met with the project proponent and assisted with completion of the application. There are a very few incomplete letters in the electronic project files. Those letters have been printed and placed in the proper file. In the future, if staff determines an application is incomplete and the errors and/or omissions cannot be corrected in a short meeting with the project proponent, an incomplete letter will be prepared, printed, and placed in the appropriate file.

Finding 3: The District's project selection process was not fully documented.

Response: District staff is preparing a policies and procedures manual, which will include a detailed explanation of the selection process. The policies and procedures manual will be completed prior to November 15, 2006. Each year, staff will prepare a "Project Selection" file, which details the selection process and how that process complies with the policies and procedures.

Finding 4: Minimum contract requirements for projects funded with Year 8 funds were not included in the District's new contract.

Response: Amendments to the existing grants and a disclosure statement have been mailed to the project proponents for signature. ARB will be notified when the amendments have been signed and incorporated into the grant agreements. The boilerplate grant agreement, Attachment 8, includes all the minimum requirements in the 2005 guidelines except the disclosure statement. Additions are noted in double underline format. The disclosure statement for existing grants, Attachment 9, will be used for grants approved by our Board on March 14, 2006. The disclosure statement for new applications, Attachment 10, will be a part of the project application. Since the project application is included as a part of each grant agreement approved for funding, the disclosure statement will become a part of the grant. The revised application and grant agreement will be used for any new projects funded with Phase 8 funds.

Finding 5: The District did not follow all of its contract requirements for Years 5 and 6 projects.

Response: The grants for years 5 and 6 have been amended to change reporting requirements to annual and to change insurance requirements to the amount needed to cover the cost of the engine(s). The required insurance documentation is being gathered.

The District's legal counsel has contacted the appropriate ARB legal counsel to discuss the statement in the findings that a legal opinion is required. The District is fully prepared to amend the grant agreements in order to reduce the insurance requirements for small business grantees. However, the District and its attorney, the Ventura County Counsel's Office, are still awaiting a response from the CARB legal office justifying the audit's recommended action of submitting a Ventura County Counsel legal opinion on the insurance issue to CARB. After the District and its counsel has received and reviewed this response from CARB's legal office, the District will be in a position to complete its amendments to the grant agreements.

The only documentation of disposition of replaced engines was for marine engines exported out of the United States. Documentation of the engine exports is being gathered and placed in the project files. Beginning with grants awarded in 2006 and after, all engines must be destroyed by burning an irregular hole in the block. As allowed in the guidelines, documentation of the engine destruction is maintained in the electronic file for the project.