



Linda S. Adams
Secretary for
Environmental Protection

Air Resources Board

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov



Arnold Schwarzenegger
Governor

December 14, 2010

Larry Greene
Executive Director
Sacramento Metropolitan Air Quality Management District
777 12th Street, Third Floor
Sacramento, California 95814-1908

Dear Mr. Greene:

The Air Resources Board (ARB) recently concluded an audit of the Sacramento Metropolitan Air Quality Management District's (District) Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) and Lower Emission School Bus (School Bus) Program, including federal Diesel Emissions Reduction Act-funded school bus retrofit projects. Enclosed is our Audit Report.

Although we found that the District is generally achieving the programs' intended emission reductions, the audit team had concerns about the District's implementation of the Carl Moyer and School Bus Programs. Overall, the audit resulted in two overarching findings. The first finding is the District's contracts are missing certain requirements or contain incorrect information, potentially putting enforceability at risk and consequently putting both public funds and emissions reductions in jeopardy. The second finding is that there are insufficient internal controls and balances across the programs, resulting in numerous errors throughout the various phases of program implementation.

To mitigate the audit findings, our report lists a number of actions required of the District. The District must submit a written plan or method to remedy the findings to ARB within 30 days from the date of this cover letter. Your Carl Moyer and School Bus Program liaisons will be working closely with you to provide assistance as needed to ensure these actions are taken expeditiously. ARB reserves the right to withhold further disbursements of grant funds pending the District's actions.

In addition to the findings, the audit resulted in some recommendations, including that the District include its identifiers in the contact details, eliminate eligibility criteria in School Bus contracts, and include a more direct "no work" statement in transmittal letters to grantees.

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

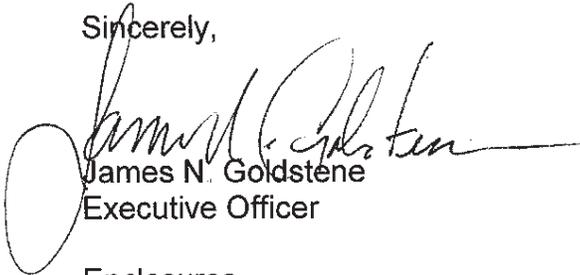
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Per ARB, Carl Moyer, and School Bus Program auditing policies and procedures, the District has 30 days from the date of this cover letter to submit comments. After that, ARB's audit report and the District's written responses will be posted on ARB's and the Governor's websites. We encourage you to make this information public within the District.

If you have any questions about the audit, please contact Laura Zaremba-Schmidt, Air Resources Engineer, at (626) 459-4394 or via email at lzaremba@arb.ca.gov, or Heather Arias, Manager, at (916) 324-6429 or via email at harias@arb.ca.gov.

Sincerely,



James N. Goldstene
Executive Officer

Enclosures

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