

Incentive Program

PROGRAM REVIEW REPORT

**South Coast Air Quality Management District
Fiscal Years 2005-06 through 2008-09**

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1. Introduction

The Air Resources Board (ARB) is responsible for overseeing a number of State incentive programs including the Lower-Emission School Bus Program (School Bus Program), Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program or CMP), and Proposition 1B Goods Movement Emission Reduction Program (Goods Movement Program). As part of this oversight responsibility, ARB staff reviewed the South Coast Air Quality Management District's (South Coast AQMD or District) implementation of these incentive programs.

ARB program reviews serve the public interest for transparency and accountability, helping to ensure that expenditures of State funds achieve intended outcomes and are within legal requirements. Projects are selected for review following a risk evaluation. These projects represent a percentage of the funds expended during the years within the overall scope of the review. Unless noted, issues and findings reported here pertain to the individual circumstances described and do not apply to other projects, although they may be indicative of similar issues occurring with projects not reviewed.

The South Coast AQMD is the largest of California's local air districts and is responsible for air quality in portions of Los Angeles, Riverside, and San Bernardino counties, and all of Orange County. The District receives more State grant funds and provides more District matching funds for these programs than any other California air district.

The School Bus Program is a voluntary grant program to clean up the aging school bus fleet that serves California's public schools in order to reduce school children's exposure to diesel exhaust. The program provides grants to purchase new school buses that replace older, high-emitting buses and to retrofit existing diesel buses with ARB-verified diesel emission control systems. ARB distributes State funds to local air districts, develops statewide implementation guidelines, and provides oversight. Air districts select and fund school bus projects for public school districts and transportation providers in their areas.

The Carl Moyer Program is a voluntary grant program that funds the extra capital cost of cleaner-than-required vehicles and equipment in order to reduce air pollution. ARB distributes State funds to local air districts, develops statewide guidelines, and conducts periodic oversight. As with the School Bus Program, local air districts implement the program by selecting and funding a variety of clean-air projects. The South Coast AQMD (like other large and medium-sized air districts) contributes match funds toward the Carl Moyer Program. Projects funded must achieve early or extra emission reductions not otherwise required by law or regulation.

The Goods Movement Program is a voluntary grant program that offers financial incentives to owners of equipment used in freight movement. The objective is to fund cleaner technologies to quickly reduce air pollution emissions and health risk from freight movement along California's trade corridors. ARB develops guidelines and awards grants to fund projects proposed by local agencies such as air districts and

seaports. As with the Carl Moyer Program, projects funded must achieve early or extra emission reductions not otherwise required by law or regulation.

This review was conducted in accordance with ARB's policies and procedures for review of incentive programs, which are viewable at the following ARB website: <http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>. ARB's programmatic review was supplemented by a fiscal review conducted by the California Department of Finance Office of State Audits and Evaluations (Department of Finance). The review began with an entrance conference held on September 14, 2010, at the District office. ARB review findings and recommendations were presented during an exit meeting held with the District on May 13, 2011. Department of Finance presented their observations and recommendations at a separate exit meeting on April 21, 2011, and has issued a separate report that will be posted on the Department of Finance and ARB websites.

This report describes the scope of the review, the projects selected for review and site inspection, and the review findings, recommendations, and commendable efforts. Note that program review reports were formerly titled audit reports; this change in terminology does not reflect a change in process. Under established policies and procedures for program reviews, the District has 30 days from the date of this report's cover letter to submit its comments. ARB's report and the District response will then be posted on ARB Incentive Program Audits and Program Reviews website at <http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>.

Also under established policies and procedures, the District has 30 days from the date of the cover letter to provide to ARB program review staff a plan that proposes specific mitigation strategies and timelines to implement the corrective actions that the report identifies. Upon ARB's approval of that plan, the District is expected to provide quarterly updates on mitigation progress to their ARB incentive program liaisons until all findings are fully mitigated. ARB encourages the District to work with the liaisons to develop mitigation strategies and to follow up on the approved plan. District completion of required mitigations may be considered by ARB prior to future disbursements of grant funds.

2. Overall Assessment

This review confirmed that the District's incentive programs achieve early and surplus reductions of ozone precursor and toxic emissions. The report presents no findings in the Goods Movement Program, but does present findings in the School Bus Program and the Carl Moyer Program. The report also describes actions taken by the District during the review to correct issues quickly, lists additional District actions needed to fully correct some issues, makes recommendations on how the District can further improve its incentive programs, and commends the District for an exceptional practice in their Goods Movement Program.

School Bus Program

The District funded over 390 school bus replacements and over 1,000 retrofits with \$96,191,510 in State, federal, and District match assistance funds during the years

within the scope of the review. The 2007-08 grant for this program was substantially larger than the previous School Bus Program grant and required the District to commit significant resources to meet tight project completion and expenditure deadlines. The review resulted in findings regarding improper payment practices, late expenditure, and inadequate assessment of eligibility and missing documentation.

Carl Moyer Program

The District funded over 2,600 Carl Moyer Program engine replacements and/or retrofits with \$164,804,137 in State and District matching funds during the years within the scope of the review. The review resulted in findings regarding ineligible projects funded, payment without correct documentation, and reporting errors and missing documentation.

Goods Movement Program

The District funded \$142,950,000 in projects during the 2007-08 cycle, using State and District matching funds to replace over 2,700 trucks and install over 60 engine retrofits during the years within the scope of the review. The 2007-08 Goods Movement Program grant represented a new program initiative by the District, and like the 2007-08 School Bus Program grant required the District to commit significant resources to meet tight project completion and expenditure deadlines. The review resulted in no findings, one recommendation regarding standardizing the project tracking methodology, and one commendable effort regarding use of District funds for project expenditures during a freeze of State bond funds.

3. Scope of the Review

The scope of the review covered the District's implementation of incentive programs associated with grants awarded from fiscal years 2005-06 through 2008-09.

For the School Bus Program, the review covered project grants awarded under the fiscal year 2005-06 grant for retrofits and replacements, the 2007-08 Proposition 1B bond-funded grant for retrofits and replacements, and the 2009 federal Diesel Emission Reduction Act (DERA) grant for retrofits only. No School Bus Program funds were awarded in 2006-07. Table 1 lists the grant funding awarded to the District to implement the School Bus Program during the scope of the review.

Table 1: South Coast AQMD School Bus Program Funds¹					
Year	Project	Administration	Total Grant	Match Assistance Funds²	Total
2005-06	\$8,261,000	\$0	\$8,261,000	-	\$8,261,000
2007-08	\$68,866,297	\$2,313,338	\$71,179,635	\$15,852,875	\$87,032,510
2009	\$835,140	\$62,860	\$898,000	-	\$898,000
Totals	\$77,962,437	\$2,376,198	\$80,338,635	\$15,852,875	\$96,191,510

¹Interest earned by the District is not included in table
²Compiled only for projects reported in the 1B Bond database as of 6/27/12 for the 2007-08 grant. The District provided local funds assisting school district grantees with their match obligation (as applicable)

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for new bus replacements) and costs that exceeded the allowed 1B grant plus match amount.

For the Carl Moyer Program, the scope of the review covered grants awarded in fiscal years 2005-06 through 2008-09. Table 2 lists the project and administration funding (including Carl Moyer Program Multi-District funds) that the District received to implement the program and lists the District’s match funding commitment for those funding years.

Table 2: South Coast AQMD Carl Moyer Program Funds¹					
Year	Project	Administration	Total Grant	Matching Funds	Total
CMP					
2005-06	\$34,566,109	\$800,141	\$35,366,250	\$5,424,688	\$40,790,938
2006-07	\$32,822,188	\$1,727,484	\$34,549,672	\$5,056,114	\$39,605,786
2007-08	\$33,127,606	\$1,743,558	\$34,871,164	\$5,381,352	\$40,252,516
2008-09	\$28,253,047	\$1,487,002	\$29,740,049	\$5,295,593	\$35,035,642
CMP-Multi-District					
2005-06	\$1,623,926	\$0	\$1,623,926	NA	\$1,623,926
2006-07	\$5,244,252	\$262,212	\$5,506,464	NA	\$5,506,464
2007-08	\$1,751,300	\$87,565	\$1,838,865	NA	\$1,838,865
2008-09	\$3,139,228	\$165,223	\$3,304,451	\$3,304,451	\$6,608,902
Totals	\$140,527,656	\$6,273,185	\$146,800,841	\$24,462,198	\$171,263,039
¹ Interest earned by the District is not included in table					

For the Goods Movement Program, the scope of the review covered the fiscal year 2007-08 funding cycle. Table 3 lists the project and administration grant amounts for the District to implement the program.

Table 3: South Coast AQMD Goods Movement Program Funds for 2007-08¹				
Grant Number	Grant Name	Project	Administration	Total Grant
G07GMLP1	Early Grant- Trucks Serving Ports and Intermodal Rail Yards	\$6,600,000	\$330,000	\$6,930,000
G07GMLT1	Early Grant- Other Trucks	\$6,550,000	\$327,500	\$6,877,500
G07GMLP2	Main Grant- Trucks Serving Ports and Intermodal Rail Yards	\$2,500,000	\$125,000	\$2,625,000
G07GMLT2	Main Grant- Other Trucks	\$17,450,000	\$872,500	\$18,322,500
G07GMLP3-03	Main Grant-Trucks Serving Ports and Intermodal Rail Yards	\$89,950,000	\$4,497,500	\$94,447,500
	District provided match assistance ²	\$19,900,000	-	19,900,000
Totals		\$142,950,000	\$6,152,500	\$149,102,500

¹Interest earned by the District is not included in table
²Match assistance funded by the District using federal EPA funds (\$7.1 million), federal DOE funds (\$7.9 million), and California Energy Commission funds (\$4.9 million)

4. Projects Selected for Review and Site Inspection

To choose projects to review, ARB uses a risk-based methodology that reflects the funding sources used and the diversity of project types funded by the District during the years within the scope of the review. Thus, the funding sources considered in selecting the review sample included all grant and match funds listed in Tables 1, 2, and 3 above and the interest earned on those grant funds.

The District also used Assembly Bill 923 funds (based on motor vehicle fees collected by the Department of Motor Vehicles) to fund projects during the time span covered by the review which were considered in selecting the review sample. Four such projects were selected for evaluation of project eligibility. The evaluation of AB 923-funded projects is reported in a separate, concurrent report, per the 2008 Carl Moyer Program Guidelines, Program Administration Chapter, section 22(b)(2). That report will be posted in a section of ARB review website dedicated to AB 923 evaluations.

a. School Bus Program

The School Bus Program projects in the review sample were selected to include the different sources of funding and the two school bus project types—retrofits and replacements—funded by the District over the scope of the review. Table 4 summarizes the School Bus project types, the number of projects, and the number of individual buses funded by the District during these fiscal years.

Project Type	2005-06		2007-08		DERA 2009		Total	
	Buses	Projects	Buses ²	Projects ³	Buses	Projects	Buses	Projects
Replacement	15	5	378	19	0	0	393	24
Retrofit	584	26	412	25	42	4	1038	55
Totals	599	31	790	44	42	4	1431	79

¹ Each contract with a public school or transportation provider is counted as a project; one project may include multiple buses
² Current as of 4/28/11 (from semi-annual report to ARB)
³ Current as of 5/27/11 (from Proposition 1B bond database)

From this population the review team selected ten School Bus Project files for review, which are identified in Appendix 1. In total, ARB reviewed approximately 13 percent of the projects funded in the years within the scope of the review, representing 59 percent of the total project grant funds (the large percentage due to review of a \$35.9 million Los Angeles Unified School District project).

b. Carl Moyer Program

The Carl Moyer Program project categories that the District funded during the review scope include the following: on-road including fleet modernization and the Voucher Incentive Program, off-road including transport refrigeration units (TRU) and ground support equipment (GSE), marine, agricultural pump, and locomotive sources. Table 5 summarizes the source category types and the number of engines and projects funded.

Fund Source	Source Category	2005-06		2006-07		2007-08		2008-09		Total	
		Engines	Projects								
CMP	fleet modernization	80	62	62	48					142	110
	forklifts	15	1							15	1
	locomotive	3	1	22	3	39	5			64	9
	marine							85	20	85	20
	off-road	145	23	78	15	155	29	127	28	505	95
	on-road	420	9	420	6	300	50			1140	65
	TRU			6	1					6	1
CMP-Multi District	marine			15	6	1	1			16	7
	off-road	16	2	20	2	4	1			40	5
	on-road			31	4	10	3	218	91	259	98
	TRU			43	1					43	1
	GSE					4	1			4	1
Match	Forklifts	2	1							2	1
	off-road	29	4	15	2	37	5	10	3	91	14
	on-road			160	1	31	9	9	3	199	13
	agricultural engine					1	1			1	1
Totals		710	103	872	89	582	105	449	145	2613	442
<p>¹Projects for which funding is split between multiple funding sources have been split accordingly and project number has been rounded. As a result, project totals are slightly overestimated.</p> <p>Source of Data: Fiscal year 2005-06 spreadsheet of District projects provided to review staff on 9/16/2010; 2006-07 through 2008-09 CARL executed contracts as reported in CARL current as of 5/26/11</p>											

Twenty-eight Carl Moyer Program project files were selected for review as shown in Appendix 2. Of those projects, five projects were inspected in the field by review staff, and no issues were found in the projects inspected. In total, ARB reviewed

approximately six percent of the projects funded for the years within the scope of the review, representing approximately 18 percent of the total project grant funds.

c. Goods Movement Program

The Goods Movement Program project categories within the review scope included “Trucks Serving Ports and Intermodal Rail Yards” and “Other Heavy-Duty Trucks.” As of September 2010, the District had not executed contracts for projects for the “Locomotives” grant, G07GMLL1. Table 6 summarizes the Goods Movement Program source category types and solicitations with the number of trucks ranked and funded.

Table 6: South Coast AQMD Goods Movement Program Projects Ranked and Funded				
Grant Number	Retrofit	Replacement LNG	Replacement Diesel	Total Rank List
G07GMLP1 Early Grant – Trucks Serving Ports and Intermodal Rail Yards	0	0	131	131
G07GMLT1 Early Grant – Other Trucks	0	0	132	132
G07GMLP2 Main Grant – Trucks Serving Ports and Intermodal Rail Yards	2	0	61	63
G07GMLT2 Main Grant – Other Trucks	59	8	799	866
G07GMLP3-03 Main Grant – Trucks Serving Ports and Intermodal Rail Yards	0	560	1015	1575
Totals	61	568	2138	2767

The review team selected 125 project files for evaluation while at the District during the first week of the review. This was a review for completeness of documentation, timely completion of project milestones, and general eligibility. Appendix 3, Table 1, summarizes the on-site files reviewed. An additional 35 projects, identified in Appendix 3, Table 2, were selected and scanned for a more in-depth eligibility review conducted over the course of the review. Of those projects, two projects were inspected in the field by review staff and no issues were identified in the engines inspected. In total, ARB reviewed approximately six percent of the projects funded for the years within the scope of the review, representing approximately six percent of the total project grant funds.

5. Review Findings

ARB’s review findings are listed below. Note that the results of the Department of Finance’s independent fiscal review are included in their report, which will be posted on

ARB's Incentive Program review website at <http://www.arb.ca.gov/msprog/moyer/reviews/reviews.htm>.

“Findings” are district practices found to be inconsistent with one or more of the following:

- State requirements including those under Health and Safety Code sections as follows:
 - 39625 through 39627.5—Goods Movement Program.
 - 44275 through 44299.2—Carl Moyer Program.
 - 44299.90 through 44299.91—School Bus Program.
- Governor's Executive Order S-02-07.
- Carl Moyer, School Bus, and Goods Movement Program Guidelines (2005 and newer versions) (<http://www.arb.ca.gov/msprog/moyer/guidelines/current.htm>) (<http://arb.ca.gov/bonds/schoolbus/guidelines/2008lesbp.pdf>) (http://www.arb.ca.gov/bonds/gmbond/docs/prop_1b_goods_movement_2010_final_guidelines.pdf).
- Carl Moyer and School Bus Program advisories, Mail-outs, and other written communications.
- Carl Moyer and School Bus Program Grant Award and Authorization requirements.
- Goods Movement Program Local Agency Grant Agreements.
- District policies and procedures and forms, including contracts with the engine owners/grant recipients.

“Conditions” are detailed descriptions of the District's practices that resulted in findings as revealed by the review.

“Required Actions” are remaining minimum actions the District must take to mitigate the findings.

Per ARB incentive program reviewing policies and procedures, the District has 30 days from the date of the report's cover letter to submit comments on this report. The District also has 30 days from the date of the report's cover letter to submit to ARB a separate plan to remedy the respective findings listed below.

a. School Bus Program

School Bus Program Finding 1: Improper payment practices

Condition 1: Payment approved prior to work completion; holding checks

In three School Bus projects reviewed (Durham School Services and Laidlaw Education Services, fiscal year 2005-06 grant, and Moreno Valley Unified School District, 2009 DERA grant), the District approved payments before retrofit cleaning equipment was delivered and installed. Further, for these projects and two additional DERA projects, District program staff held \$423,649 in checks

covering payments from approximately two to 15 months after the grants' expenditure deadlines. In one instance, District program staff held a District check and gave it to the grantee once work was completed. In the other cases, the grantees deposited a District check, then wrote a check for the cost of the unfinished work that was held by District program staff with the understanding that it would be deposited only if the work was not eventually completed. Such practices not only violate School Bus Guidelines that do not allow payment to be made until project completion, but also hide true expenditure dates from District financial staff and ARB.

Condition 2: Payment approved prior to receipt of required documentation

In one School Bus project reviewed (Laidlaw Education Services), a payment of \$45,000 for six retrofits was approved by the District prior to receipt of the required California Highway Patrol inspection documentation. Four of these retrofits were inspected after payment was approved. For the remaining two retrofits the vendor informed the District that the retrofits were never installed and returned the \$15,000 received for that equipment.

Required Actions:

Prior to engaging in any new School Bus Program projects subject to the 2008 School Bus Guidelines, the District must submit for ARB approval a proposal that specifies new controls that it will add to its payment process to ensure that these types of irregularities do not recur. The District must incorporate the new controls, once approved by ARB, into its policies and procedures manual for the School Bus Program.

School Bus Program Finding 2: Late expenditures

Condition 1:

Work performed on the two School Bus projects reviewed (Durham School Services and Laidlaw Education Services) was not completed and properly invoiced until a time period that ranged from nine to 15 months after the June 30, 2008, expenditure deadline for those funds. Although these payments were comprised of interest earned on the DERA funds, the deadline applied to both the grant funds (per the 2006 School Bus Program Guidelines page 14) and interest earned on such funds (per a letter from Jack Kitowski, ARB, to Barry Wallerstein, District, February 25, 2008).

Condition 2:

Work performed on DERA-funded project Moreno Valley Unified School District was not completed and properly invoiced until approximately two months after the September 30, 2009, expenditure deadline for those funds, as specified in the DERA grant award to the District and in the application for those funds.

Required Actions:

As of the date of this report's cover letter and prior to engaging in any new School Bus Program projects subject to the 2008 School Bus Program Guidelines, the District must submit for ARB approval a proposal that describes new controls that it will add to its payment process to ensure that late payments do not recur and that any funds remaining unspent upon a grant agreement expenditure deadline are returned to ARB within 60 days of the deadline, along with any earned interest balance. The District must incorporate the new controls, once approved by ARB, into its policies and procedures manual for the School Bus Program.

School Bus Finding 3: Inadequate assessment of eligibility and missing documentation

Condition 1:

The District's School Bus Program project eligibility process does not comply with the School Bus Program Guidelines in the following ways:

- Project application forms do not capture all required information, such as the old bus engine model year for replacement projects.
- District project reviewers do not consistently collect or evaluate key pieces of documentation that are needed prior to contract execution, such as the old bus DMV registration (2008 School Bus Guidelines, page 13) or confirmation that private transportation company applicants hold a contract with a public school (2008 School Bus Guidelines, page 18).
- For both replacement and retrofit projects, the District does not obtain a school board resolution or document that the individual signing the application has been authorized by the school board to make financial decisions (2008 School Bus Guidelines, pages 36-37).
- Optional equipment for new bus purchases are not consistently documented in the project files or evaluated by District program staff for eligibility prior to payment (2008 School Bus Guidelines, pages 38 and 41; Mailouts #MSC 08-36 and 09-18).

Because the School Bus Program Guidelines do not require a pre-inspection to confirm equipment eligibility prior to contract execution, as is common with other incentive programs, the collection and evaluation of all required eligibility documentation prior to contract execution is an especially important safeguard for both the District and the grantee to ensure funds are spent solely on eligible projects. In addition, committing funds to projects without a complete determination of eligibility may reduce the District's ability to meet expenditure deadlines due to project delays or cancelations late in the process as the District and grantees work to clear eligibility issues.

Condition 2:

One project funded under the fiscal year 2005-06 grant (Fontana Unified School District) was missing an application (2006 School Bus Guidelines, pages 8, 9, and 11) and the delivery deadline and performance penalty statement were missing on the purchase order (2006 School Bus Guidelines, pages 10 and 13). Another project funded with 2007-08 Proposition 1B bond funds (Sulphur Springs Union School District) was missing a complete purchase order (2008 School Bus Guidelines, page 38); the purchase order in the file only covered the school district's match commitment.

Required Actions:

As of the date of this report's cover letter and prior to engaging in any new School Bus Program projects that are subject to the 2008 School Bus Program Guidelines, the District must submit to ARB for approval the following:

- a. Revised School Bus Program application forms that gather all pertinent information needed to establish project eligibility.
- b. Proposed changes to its processes to ensure that:
 - All information needed to establish eligibility is obtained and reviewed prior to contract execution (including school board resolutions, engine model year of the bus to be replaced, specific new bus options to be ordered, DMV registration of the bus to be replaced, and documentation that a private transportation company contracts with a public school).
 - Equipment options associated with each replacement bus are documented in the project file and reviewed for eligibility prior to payment.

These process changes, once approved by ARB, must be incorporated into the District's policies and procedures manual for the School Bus Program.

- c. The District must obtain for its files a corrected purchase order for Sulphur Springs Union School District (project number G09211) and submit a copy to ARB

b. Carl Moyer Program

Carl Moyer Program Finding 1: Ineligible projects funded

Condition 1:

At the time of contract execution, five marine projects were not surplus to ARB regulation for commercial harbor craft adopted in November 2007, and as such did not meet compliance dates for that regulation, as follows:

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- Avalon Mooring, 8119 (\$43,890) – contract execution 12/21/07, compliance date 12/31/09
- Pacific Adventure Tours, 8122 (\$118,000) – contract execution 1/25/08, compliance date 12/31/09
- ABC Barge, 8117 (\$941,873) – contract execution 4/1/08, compliance date 12/31/09
- Santa Catalina, 8123 (\$52,924) – contract execution 1/11/08, compliance date 12/31/10
- Harbor Breeze, 8114 (\$217,800) – contract execution 4/26/08, compliance date 12/31/10

Per 2005 Carl Moyer Program Guidelines: “Districts must ensure that selected projects are surplus to compliance deadlines of adopted regulations” (Part 1, Chapter Two, Administration of the Carl Moyer Program, Section VI, page II-27) and “Project life is the number of years that a Carl Moyer Program project obtains or is claimed to obtain surplus emission reductions while operating in California. Surplus emission reductions are reductions that are early or extra. That is, the reductions occur prior to a rule compliance date or the reductions exceed the requirements... The minimum project implementation time frame shall be three years, unless otherwise approved in advance by ARB” (Part 1, Chapter Two, Administration of the Carl Moyer Program, Section VIII(B)(2), page II-29). In a November 17, 2006, email to all air districts, ARB clarified that a “contract must be signed before ARB approves a regulation. If a contract is signed after the Board Hearing, then a district must consider regulatory requirements in determining eligibility.” At that time, email notifications from ARB Carl Moyer Program staff were an established Carl Moyer Program practice used to clarify program policy and did not require Board approval.

Condition 2:

Engine retrofits for 1997 and 1999 model year engines in project American GTS 10027, funded for \$37,674, did not meet surplus requirements at the time of the contract execution. These retrofits were rendered ineligible by the Statewide Truck and Bus Regulation that was adopted December 11, 2008, before execution of this contract on August 19, 2009.

Per the 2008 Carl Moyer Program Guidelines, “District must ensure that emission reductions provided by selected projects are surplus to compliance deadlines of adopted regulations and other legal requirements” (Part III, Program Administration, Section 27(i), page 32).

Condition 3:

Project Burrtec C07126 funded 50 engines, 28 of which did not meet a 0.2 g/bhp-hr NOx requirement. Per the 2005 Carl Moyer Program Guidelines, “Average Banking and Trading engines (i.e., all Family Emission Limit (FEL)-

certified engines) are not eligible to participate in the Carl Moyer Program for new vehicle purchase projects since emission benefits from an engine certified to a FEL level are not surplus emissions” (Chapter 1, On-Road Heavy-Duty Vehicles, Section IV(A), page I-8). In addition, “During 2007-2009, new SWCV purchases must... be certified to 0.2 g/bhp-hr for NOx emission” (Chapter 1, On-Road Heavy-Duty Vehicles, Section IV(M), page I-17).

After an initial disapproval by ARB, the District requested and believed they had received verbal approval for the project from ARB. The most recent available emails contain District assertions that it had received permission; the review team found that neither the District nor ARB could provide conclusive written approval or denial of the project.

Required Actions:

The District must submit to ARB for approval a mitigation plan for Conditions 1 and 2. One option would be for the District to identify and fund substitute CMP-eligible projects equal to \$1,412,161, the amount determined to be ineligible.

Condition 3 requires no mitigation by the District, although ARB encourages the District to request case-by-case determinations as appropriate for future projects. Since the occurrence of Condition 3, the air districts have worked with ARB to develop a defined process for air districts to request written case-by-case determinations for projects such as this that deviate from or are not covered by the Guidelines. The process has worked to provide clear final determinations that should prevent future occurrences of this kind.

Carl Moyer Program Finding 2: Payment without correct documentation

Condition 1:

The District approved payment for project TNT Grading C07140 per an invoice with a serial number that did not match the serial number on the District’s post-inspection form. During the program review, the District requested and received a corrected invoice from the dealer.

Condition 2:

For project Southern California Edison C07170, an error in the District’s post-inspection and payment review process resulted in a duplicate payment of \$15,852. During the review, the District realized the error and required the grantee to return the funds. The District is also instituting annual training for inspectors and project officers to review inspection and billing processes and adopt process changes to further reduce the possibility of errors.

Required Actions:

The District must submit to ARB for approval the process changes adopted by the District to reduce errors in the inspection and billing process. Once approved by ARB, the District must incorporate the process changes into its policies and procedures for the Carl Moyer Program.

Carl Moyer Program Finding 3: Reporting Errors and Missing Documentation

Condition 1:

CARL reporting errors were prevalent throughout the fiscal year 2006-07 and 2007-08 projects reviewed. Errors included incorrect fuel consumption values, inaccurate emissions reported, incorrect emission factors used, inaccurate project life, and post-inspection date discrepancies. During the review the District corrected these entries in CARL.

Condition 2:

Four projects reviewed from fiscal years 2005-06 and 2006-07 were missing compliance checks and one file was missing a retrofit evaluation. Per the 2005 Carl Moyer Program Guidelines, the District must document in the project file the eligibility evaluation performed. For on-road projects, if a compliance check was not previously completed the district must, prior to payment, verify with ARB that the grantee has no outstanding violations.

During the review the District supplied the necessary documentation or provided clarifying information. However, one project (Orestes Pena, 9027) has a violation that has not yet been cleared.

Required Actions:

The District must work with grantee Orestes Pena to clear the existing citation and report the result to ARB. If the grantee cannot clear the citation, the project becomes ineligible and the District must replace the cost of the project with another Moyer-eligible project.

6. Recommendations

“Recommendations” are suggestions the District may consider to improve the current implementation of their Incentive Programs.

School Bus Program Recommendation:

Inform grantees in writing that they assume all financial risk if they initiate work prior to the contract being fully executed. Note that for one project, Laidlaw Education Services, the transportation supplier initiated a substantial amount of work after District Board approval but prior to contract execution. Implementing

this recommendation would safeguard grantees and the District from potentially costly misunderstandings.

School Bus Program and Carl Moyer Program Recommendation:

Seek case-by-case determinations from ARB if there are compelling reasons to deviate from the Guidelines. Many of the District's responses to questions during this review cited circumstances that the District believed justified variances from the Guidelines. The review team is generally not in a position to weigh extenuating circumstances after the fact or make what amounts to be case-by-case determinations during a review. This recommendation is intended to encourage constructive communication between the District and ARB and help reduce issues in future reviews.

Goods Movement Program Recommendation:

Adopt a standard file review checklist. For the project files reviewed, the District did not have a standard method for tracking project progression. A standard file review checklist would help both staff and management gather documents, record analyses, and track project milestones from application review through completion and payment.

7. Commendable Efforts

A commendable effort is an exceptional practice that goes beyond the basic requirements for implementing an incentive program. ARB commends the District for continuing to fund Goods Movement Program early grant projects from December 2008 through March 2009 using District funds during a State-mandated freeze in expending Proposition 1B funds, achieving emission reductions up to four months earlier than otherwise would have occurred.

8. Resources

1. Air Resources Board Lower-Emission School Bus website
<http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm>
2. Air Resources Board Carl Moyer Program website
<http://www.arb.ca.gov/msprog/moyer/moyer.htm>
3. Air Resources Board Goods Movement Emissions Reduction Program website, <http://www.arb.ca.gov/bonds/gmbond/gmbond.htm>
4. Air Resources Board Incentives Program Audit and Program Reviews website (includes previous reports and Policies and Procedures)
<http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>

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5. Lower-Emission School Bus 2008 Guidelines (April 15, 2008), Air Resources Board
6. Lower-Emission School Bus 2006 Guidelines (March 2, 2006), Air Resources Board
7. Carl Moyer Program 2005 Guidelines (January 6, 2006), Air Resources Board
8. Carl Moyer Program 2008 Guidelines (April 21, 2008), Air Resources Board
9. Proposition 1B: Goods Movement Emission Reduction Program, Final 2008 Guidelines for Implementation (February 28, 2008)
10. Proposition 1B: Goods Movement Emission Reduction Program, Final 2010 Guidelines for Implementation (March 2010)

Appendix 1

Projects Reviewed—South Coast AQMD Lower-Emission School Bus Program

Incentive Program Review Report: South Coast Air Quality Management District—2012

South Coast AQMD 2011 Incentive Program Review Projects Reviewed—Lower-Emission School Bus Program				
	Year	Project Number	Grantee	Project Type
1	2005-06	G07003	Fontana Unified School District	replacement
2	2005-06	G07103	Durham School Services	retrofit
3	2005-06	G07102	Chaffey Joint Union High School District	retrofit
4	2005-06	G08228/G08259	Laidlaw Education Services	retrofit
5	2007-08	G09208	Los Angeles Unified School District	replacement
6	2007-08	G09211	Sulphur Springs Union School District	replacement
7	2007-08	G09216	Chino Valley Unified School District	replacement
8	2007-08	G09218	Rim of the World Unified School District	replacement
9	2007-08	G10731	Atlantic Express	retrofit
10	2009 (DERA)	G09235	Moreno Valley Unified School District	retrofit

Appendix 2

Projects Reviewed—South Coast AQMD Carl Moyer Program

Incentive Program Review Report: South Coast Air Quality Management District—2012

South Coast AQMD 2011 Incentive Program Review Projects Reviewed—Carl Moyer Program					
	Year	Project Number	Grantee or Vehicle Identification Number	Source Category	Inspected
1	2005-06	C07126	Burrtec	on-road	
2	2005-06	C07140	TNT Grading	off-road	
3	2005-06	C07170	Southern California Edison	forklift	
4	2005-06	C07347	Material Transport Service	on-road fleet modernization	
5	2005-06	8028	Dennis McCoy	off-road	
6	2006-07	8099	SCRRA (metrolink)	locomotive-ild	
7	2006-07	8109	Sysco Food-TRU	on-road-TRU	X
8	2006-07	8117	ABC Barge	marine vessel	
9	2006-07	8122	Pacific Adventure Tours	marine vessel	
10	2006-07	8125	Pacific Harbor Line	locomotive	
11	2006-07	8130	OCTA	on-road	
12	2006-07	8160	EZE Trucking	on-road retrofit	
13	2006-07	9027	Orestes Pena	on-road fleet modernization	
14	2006-07	81061	Disneyland Resort	off-road	
15	2007-08	9039	SOON-Road Builders	off-road construction	
16	2007-08	9098	Gardner Trucking	on-road	
17	2007-08	9118	Superior Ready Mix	on-road	X
18	2007-08	9198	UPS	on-road	
19	2007-08	9201	Universal Studios	off-road other	
20	2007-08	9204	LA County Consolidated Fire Protection District	on-road	
21	2007-08	9334	So. CA Regional Rail (SCRRA)	locomotive-repower HEP	X
22	2007-08	9355	City of LA, Bureau of Sanitation	on-road	
23	2007-08	91791	Christopher Lack	off-road	
24	2008-09	10027	American GTS	on-road	
25	2008-09	10113	Harbor Dockside	marine vessel	X
26	2008-09	10464	SOON- Lee & Stires	off-road	X
27	2008-09	10606	Carnival Cruise	shore power/vessel retrofit	
28	2008-09	VIP- 11285	1XKWD29X7CS311285	on-road	

Appendix 3

Projects Reviewed—South Coast AQMD Goods Movement Program

Table 1: On-site Broad Eligibility Review

Table 2: In-Depth Project Review

Table 1: South Coast AQMD 2011 Incentive Program Review Projects Reviewed—Goods Movement Program On-site Broad Eligibility Review	
Grant Number	Total
G07GMLP1 Early Grant – Trucks Serving Ports and Intermodal Rail Yards	13
G07GMLT1 Early Grant – Other Trucks	13
G07GMLP2 Main Grant – Trucks Serving Ports and Intermodal Rail Yards	8
G07GMLT2 Main Grant – Other Trucks	22
G07GMLP3-03 Main Grant – Trucks Serving Ports and Intermodal Rail Yards	69
Total	125

Table 2: South Coast AQMD 2011 Incentive Program Review In-Depth Project Review—Goods Movement Program					
	Grant	Local Agency ID	Project Name	Project Type	Inspected
1	G07GMLP1 Early Grant – Trucks Serving Ports and Intermodal Rail Yards	EG-8-159-BC	Cal Cartage - Bayardo Molina	LNG replacement	
2		EG-8-303-BC	Cal Cartage - Ramon Jesus Terrazas	LNG replacement	
3	G07GMLT1 Early Grant – Other Trucks	EG-003-LA14- 032-BC	BCI Coca Cola File	diesel replacement	
4	G07GMLP2 Main Grant – Trucks Serving Ports and Intermodal Rail Yards	2008-036-01-MW	Josefina Ortega	diesel replacement	
5		2008-028-171- LSD	Cascade Sierra Solutions - Ebow Abanyie	diesel replacement	
6	G07GMLT2 Main Grant – Other Trucks	2008-045-2054- LSD	RPM Properties	diesel replacement	
7		2008-42-6019- LSD	Budway Trucking and Warehousing	diesel replacement	
8		2008-143-229- LSD	Ecology Auto Parts	diesel replacement	
9		2008-273-4120- LSD	Gardner Trucking	diesel retrofit	
10		2008-133-104	Ware Disposal Company	LNG replacement	
11	G07GMLP3-03 Main Grant – Trucks Serving Ports and Intermodal Rail Yards	2008-039-034- AN	Fox Transportation, Inc.	LNG replacement	
12		2008-264-000- BC	Salvador Valdivia	diesel replacement	
13		2008-089-020- LSD	RPM Transportation	LNG replacement	
14		2008-102.219- 000-LSD	Cascade Sierra Solutions (American Pacific - Anastacio Lopez)	diesel replacement	X
15		2008-102.046- 000-LSD	Cascade Sierra Solutions (Walter Keys)	diesel replacement	
16		2008-032-6-MW	Three Rivers Trucking, Inc.	diesel replacement	
17		2008-103-007- LSD	Overseas Freight, Inc.	diesel replacement	
18		2008-057-000	Minh H. Banh	LNG replacement	
19		2008-512-029- FM	Calko Transportation	LNG replacement	
20			2008-128-539-VL	Total Transportation	LNG replacement

Table 2: South Coast AQMD 2011 Incentive Program Review In-Depth Project Review—Goods Movement Program					
	Grant	Local Agency ID	Project Name	Project Type	Inspected
21	G07GMLP3-03 Main Grant – Trucks Serving Ports and Intermodal Rail Yards (continued)	2008-307-037- MW	Cal Cartage- Wilfredo Salguero Santos	LNG replacement	
22		2008-503-000- TIAX	Jose Orellano Melendez	diesel replacement	
23		2008-554-001- WL	Green Trucking	diesel replacement	
24		2008-102.060- 000-LSD	Carlos Lilies	diesel replacement	
25		2008-363-001- AN	EMO Line	LNG replacement	
26		2008-506-000- TIAX	Alex Aviles	diesel replacement	
27		2008-190-014- AN	Knight Transportation	diesel replacement	
28		2008-102.384-B- VL	Cascade Sierra Solutions - Alma Delia Escobar Angulo	diesel replacement	
29		2008-102.390-B- VL	Cascade Sierra Solutions – JJB Express	diesel replacement	
30		2008-699-007- LSD	Angel A. Green	LNG replacement	
31		2008-621-006- LSD	Martin Bros. Trucking	diesel replacement	
32		2008-644-003- LSD	Roadex Cy Inc	LNG replacement	
33		2008-659-000- LSD	Joel Arturo Miro	diesel replacement	
34		2008-624-001- LSD	Steel Horse Transportation	diesel replacement	X
35		C10199, C101991, C101992	Cascade Sierra Solutions	master lease agreements	