Air Resources Board

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

Linda S. Adams
Secretary for Environmental Protection

Arnold Schwarzenegger
Governor

September 30, 2010

Mr. Larry Allen
Air Pollution Control Officer
San Luis Obispo County Air Pollution Control District
3433 Roberto Court
San Luis Obispo, California 93401-7126

Dear Mr. Allen:

The California Air Resources Board (ARB) recently concluded an audit of the San Luis Obispo County Air Pollution Control District (District) Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) and Lower-Emission School Bus Program (School Bus Program). Our Audit Report is enclosed.

We found that the District is implementing these incentive programs efficiently and effectively. Both programs are achieving the expected emission reductions and meet State requirements. The audit resulted in two findings: one concerned errors in the documentation of Carl Moyer Program projects and the other identified the expenditure of School Bus Program interest funds on an ineligible project. The District has submitted additional information and mitigation strategies for both findings. These are reflected in the attached report.

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

Thank you for your cooperation during the audit process. If you have any questions about the audit please contact Charles Kersey, Manager, at (916) 322-6922 or via email at ckersey@arb.ca.gov, or Robin Myers, Air Pollution Specialist, at (916) 322-6973 or via email at rmyers@arb.ca.gov.

Sincerely,

James N. Goldstene
Executive Officer

Enclosure

cc: continued next page

cc: Andy Mutziger
San Luis Obispo County Air Pollution Control District
3433 Roberto Court
San Luis Obispo, California 93401-7126

Mel Zeldin
Executive Director
California Air Pollution Control Officers Association
980 Ninth Street, 16th Floor
Sacramento, California 95814

Charles Kersey, Manager
Incentives Oversight Section

Robin Myers
Air Pollution Specialist
Incentives Oversight Section

Carl Moyer Memorial Air Quality Standards Attainment Program

Lower-Emission School Bus Program

AUDIT REPORT

San Luis Obispo County Air Pollution Control District
Fiscal Years 2005/2006 – 2008/2009

Prepared by: Air Resources Board
Mobile Source Control Division, Incentives Oversight Section
September 2010

Acknowledgements

The Air Resources Board audit team thanks the participating San Luis Obispo County Air Pollution Control District management: Larry Allen, Air Pollution Control Officer; Aeron Arlin-Genet, Planning and Outreach Manager; Kevin Kaizuka, Fiscal Manager; District staff: Andy Mutziger, Carl Moyer Program lead; Meghan Field, Merissa Guise, and Vince Kirkhuff.

ARB audit team included:
ARB Management: Robert Cross, Scott Rowland, and Charles Kersey
ARB Carl Moyer Program audit team: Robin Myers, audit lead; Chuck Bennett, Gerald Grauman, Tim Hartigan, Liz Ota, and Janet Page
ARB Carl Moyer Program District liaison: Laura Zaremba-Schmidt

Introduction

As part of the California Air Resources Board (ARB) ongoing review of incentive fund programs, ARB audited the San Luis Obispo County Air Pollution Control District's (San Luis Obispo County APCD or District) implementation of the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program or CMP) and the Lower-Emission School Bus Program (School Bus Program).

The Carl Moyer Program is a voluntary grant program that reduces air pollution by funding the extra capital cost of cleaner engines or equipment. It is implemented through a partnership between ARB and California's 35 local air districts. The ARB develops Statewide guidelines, distributes State funds to local air districts, and conducts periodic oversight reviews. Air districts solicit and fund projects that meet the requirements of the Health and Safety Code and the CMP. Air districts also provide local match funds and resources to administer the Carl Moyer Program.

The School Bus Program is also a voluntary State grant program to reduce emissions from the aging school bus fleets that serve California's public schools. The funds are used to replace diesel buses or retrofit existing buses with ARB-verified diesel emission control systems. The ARB develops statewide guidelines, distributes State funds to local districts, and conducts periodic oversight reviews. Air districts solicit and fund projects submitted by school districts in their regions.

The audit began with an entrance interview held at the District on March 2, 2010. The audit was conducted per the oversight responsibility specified in Health and Safety Code section 44291(d) and in accordance with ARB's Audit Policies and Procedures viewable at the ARB website: http://www.arb.ca.gov/msprog/moyer/audits/audits.htm.

Audit staff reviewed program fundamentals, examined the use of public funds, and assessed whether emission reductions achieved from funded projects were real, quantifiable, enforceable, and surplus. Audit findings were presented during an exit teleconference held with the District on May 16, 2010.

1. Overall Assessment

The audited programs, as implemented by the District, are effective, well-run, and are achieving the expected emission reductions. The audit resulted in two findings: one concerned errors in the documentation of Carl Moyer Program funded projects and the other identified the expenditure of School Bus Program interest funds on an ineligible project.

2. Scope of the Audit

The scope of the audit covered the District's implementation of the CMP over two completed funding cycles, Year 8 (2005/06) and Year 9 (2006/07), and two open funding cycles, Year 10 (2007/08) and Year 11 (2008/09). For the Carl Moyer Program, the District accepted more than the minimum funding allocation and agreed to provide match funding during each of these funding cycles. For the School Bus Program, the scope included only the District's participation in the 2005/06 funding cycle. The District's 2007/08 School Bus Program was administered through a memorandum of understanding between the District and the San Joaquin Valley Air Pollution Control District. Those funds will be included in a future audit of San Joaquin Valley Air

Pollution Control District. Table 1 lists the project and administration funding that the District awarded from the CMP and the School Bus Program as well as the District's match funding commitment over the scope of the audit.

Table 1: San Luis Obispo County APCD Carl Moyer and School Bus Programs*

FY	Program	Project	Administration	Total Grant	Matching Funds	Total
2005/06	CMP	$419,306	$9,706	$429,012	$65,804	$494,816
2006/07	CMP	$755,755**	$79,819	$835,574	$58,901	$894,475
2007/08	CMP	$372,438	$41,382	$413,820	$63,861	$477,681
2008/09	CMP	$342,727	$38,081	$380,808	$67,808	$448,616
2005/06	School bus (Retrofit)	$112,730	Not awarded for retrofit	$112,730	-	$112,730
2006/07	School bus	No School Bus Program offered for 2006/07				
2007/08	School bus	-	-	$1,930,280***	-	-

*Interest earned by the District on program balances is not included in the table
**Includes multidistrict funds that ARB approved for re-designation to CMP projects
***Not within scope of the audit – funds administered by San Joaquin Valley APCD

3. Project Categories Funded and Project Review/Inspection Selection

Funding sources used by the District over the scope of the audit included the Carl Moyer Program, School Bus Program, and matching District local funds from AB923 Motor Vehicle Fees. Table 2 summarizes the source categories that were funded and the number of the projects funded within the scope of the audit. As of the audit, funding cycles for CMP Year 10 (2007/08) and CMP Year 11 (2008/09) were still open.

Table 2: San Luis Obispo County APCD CMP, Match and School Bus Program

Funding Source	Source Category	2005/06	2006/07	2007/08	2008/09	Total
CMP	On-road			3		3
CMP	Off-road	1	5	1		7
CMP	Agriculture	2	11	5		18
Match	Marine	1	1			2
Match	On-road				1	1
Match	Off-road			1		1
School Bus		8				8
Total		12	17	10	1	40

Table 3 below lists the project files that were selected for review and on-site inspection.

Table 3: List of Projects Reviewed and Inspected

Project Name	Project Number	Funding Cycle	Funding Source	Source Category	Funded Amount	File Review or Inspection
1. Grimmway Enterprises	CM05/06 – 1a,b,c	Year 8	CMP	Ag Pump	$28,261	Review
2. Arroyo Fresh	CM06/07 – 17a,b,c	Year 9	CMP	Ag Pump	$26,981	Review and Inspection
3. Margarita Leasing	AB923-07-3 b,e,f,g	Year 11	Match	On-Road	$11,651	Review
4. Souza Construction	CM07/08-6	Year 10, 7	CMP	On-Road	$50,000	Review and Inspection
5. Switzer Excavating	CM06/07-7	Year 9	CMP	Ag Pump	$171,549	Review and Inspection
6. Whitaker Contractors	CM06/06-7a,b	Year 8	CMP	Off-Road	$119,588	Review
7. Union Asphalt	M05-14	Year 10,11	Match	Off-Road	$85,000	Review
8. Harbor Pathfinder	M06-4	Year 9	Match	Marine	$59108	Review and Inspection
9. Lucia Mar School District	LESBP-06-2	2006	School Bus	Bus Retrofit	$56,365	Review
10. Paso Robles School District	BP-06-PR	2006	School Bus	Bus Retrofit	$56,365	Review

4. Findings Conditions, and Required Actions

"Findings" are a District's practices found inconsistent with one or more of the following:

- State requirements in Health and Safety Code sections 44275 through 44299.2
- Carl Moyer Program Guidelines (2005 and 2008 versions)
- School Bus Program Guidelines (2006 version)
- Carl Moyer Program advisories and/or Mail-outs
- Carl Moyer Program Grant Award and Authorization requirements
- District's policies, procedures, and forms, including contracts with grant recipients

"Conditions" are more detailed descriptions of the practices the ARB audit team observed during the audit period.

"Required Actions" are the minimum actions the District must take to mitigate the findings.

Table 4 describes audit findings, conditions, references, and where appropriate, specific actions required by ARB in order for the District to mitigate the findings.

Table 4: Findings, Conditions, and Required Actions

Finding 1	**Documentation/reporting**	**Required Actions**
Condition	Review of the projects selected for the audit revealed documentation errors in the project files and entry errors in the Carl Moyer Program Clean Air Reporting Log (CARL). Examples of documentation errors In the project files include engine serial numbers and model years. Project information reported in CARL showed entry errors such as engine horsepower, serial numbers, and model years. Inaccurate data may negatively affect the enforceability of contracts and the validity of program data reported.	During preparation for the audit, the District recognized the same type of inconsistencies in the records that the audit team found. District staff has proactively corrected the inaccurate data in the project files and in CARL. The District has provided to ARB an updated Policies and Procedures Manual that includes revised contract templates, inspection forms, and additional management quality control steps. No further mitigation of this finding is required.
Finding 2	**School Bus Program interest spent on an ineligible project**	**Required Actions**
Condition	District fiscal records showed that $12,895 of interest earned on School Bus Program funds (from 2005/06 and earlier cycles) was expended on an ineligible non-school bus project (Pacific Waste Services). The 2006 Lower-Emission School Bus Program Guidelines requires that any interest earned on program funds must be expended on eligible school bus projects and reported to ARB during the final report for the year or returned to ARB. (2006 Guidelines Section II(K) page 14)	The District plans to mitigate this issue by replacing the ineligible project by expending $12,895 of locally controlled funds on an eligible school bus project by June 30, 2012. By August 30, 2012, the District must provide the ARB liaison with a copy of the project contract and a copy of the accounting entries showing the expenditure. Alternatively, the District may return the funds to ARB.

5. Resources

- Air Resources Board Carl Moyer Program Website
  http://www.arb.ca.gov/msprog/moyer/moyer.htm

- Air Resources Board Lower Emission School Bus Program Website
  http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm

- Air Resources Board Incentives Oversight Audit Website
  http://www.arb.ca.gov/msprog/moyer/audits/audits.htm