

Incentive Program

PROGRAM and FISCAL REVIEW REPORT

**Shasta County Air Quality Management District
Fiscal Years 2007-08 through 2009-10**

**Prepared by: Air Resources Board
Mobile Source Control Division, Incentives Oversight Section
January 2, 2013**

1. Introduction

The Air Resources Board (ARB) is responsible for overseeing a number of air quality incentive programs, including the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) and the Lower-Emission School Bus Program (School Bus Program). As part of this responsibility, specified in Health and Safety Code section 44291(d), ARB staff conducted a program and fiscal review of the Shasta County Air Quality Management District's (District) implementation of these two programs.

The Carl Moyer Program is a voluntary grant program that funds the extra capital cost of cleaner-than-required vehicles and equipment to help achieve air pollution reductions that are both early and surplus to regulations. The Carl Moyer Program is funded by tire replacement and vehicle registration (smog abatement) fees. ARB develops statewide implementation guidelines, distributes funds to air districts, and conducts periodic oversight. Air districts choose which project types to fund from a variety of eligible categories. Projects funded must achieve early or extra emission reductions not otherwise required by law or regulation. Like other air districts, Shasta County District contributed match funds toward the Carl Moyer Program.

The School Bus Program is designed to help 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 School Bus Program is funded by bonds authorized by Proposition 1B. The program provides grants to purchase new school buses that replace older buses that have higher emissions or to retrofit existing diesel bus engines with ARB-verified diesel emission control systems. ARB develops statewide implementation guidelines, distributes State funds and provides oversight of program implementation. Air districts select and fund school bus projects with public school districts and transportation providers in their areas. The School Bus Program does not require air districts to contribute match funds.

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. (Note that ARB program review reports were formerly titled audit reports; this change in terminology does not reflect a change in process.) The projects selected for review are representative of the funds expended during the years within the overall scope of the review. Specific projects are selected for review following a risk evaluation. 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 process began with an entrance meeting on August 23, 2011, and was conducted in accordance with the Program Review Process for Rural Districts described in ARB's policies and procedures for program reviews, which are viewable at the following ARB

Incentive Program Review Report Shasta County Air Quality Management District—2012

website: <http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>. ARB staff reviewed program fundamentals, examined the use of public funds, and assessed whether emission reductions from a sample of projects were real, quantifiable, enforceable, and surplus. The results of the program review were presented during an exit meeting held with the District on December 1, 2011.

This report describes the scope of the review, the projects selected for review, and the results. Under established policies and procedures for program reviews, the District has 30 days from the date of this report's cover letter to submit comments. ARB's report and the District response will then be posted on the ARB website at <http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>.

2. Overall Assessment

The District reports that the Carl Moyer Program funded 21 engine replacements and/or retrofits of diesel engines with \$1,167,532 in State and District match funding during the scope of the review. For the years within the scope of this review, the District reports the funding of 14 school bus replacements and 26 retrofits with \$4,056,383 in State funds through the School Bus Program.

The programs that were reviewed are achieving the expected emission reductions on time and are generally in compliance with State requirements. While the review presents concerns regarding certain aspects of the District's administration of both incentive programs, it also describes actions taken by the District during the review in order to correct issues quickly. Three review findings are cited in section 5 of this report: (1) inadequate contract language, (2) incorrect reporting to ARB, and (3) incomplete project file documentation.

3. Scope of this Review

The scope of this review includes grant agreements between ARB and the District made in fiscal years 2007-08 through 2009-10 and fiscal records associated with those grants from July 1, 2007, through June 30, 2011. During this time, the District implemented three Carl Moyer Program grants and one School Bus Program grant.

Table 1 summarizes Carl Moyer Program project funds, administration funds, matching funds, and completion status for the grants within the scope of the review as of the exit meeting.

Incentive Program Review Report
 Shasta County Air Quality Management District—2012

Table 1: Carl Moyer Program Funds ¹							
Fiscal Year	Grant Number	Project	Administration	Total Grant	Matching Funds	Total*	Grant Status
2007-08	G07-M022	\$346,322	\$38,480	\$384,802	\$59,383	\$444,185	Expended by June 30, 2010
2008-09	G08-M027	\$321,583	\$35,732	\$357,315	\$63,624	\$420,939	Expended by June 30, 2011
2009-10	G09-M026	\$200,000	\$32,569	\$232,569	\$69,839	\$302,408	Expenditure deadline was June 30, 2012 In process at exit meeting
Total		\$867,905	\$106,781	\$974,686	\$192,846	\$1,167,532	

¹Interest earned by the District on Carl Moyer Program balances is not included.

Table 2 summarizes the number and categories of Carl Moyer Program project types funded by the District within the scope of the review.

Table 2: Carl Moyer Program Projects								
Source Category	2007-08		2008-09		2009-10*		Total*	
	Projects	Engines	Projects	Engines	Projects	Engines	Projects	Engines
Off-road Construction	9	9	2	2	1	1	12	12
Agriculture Pump Engine Replacement (diesel to Electric)	1	1	1	1	1	1	3	3
Off-road Equipment Mobile Agricultural	--	--	5	5	1	1	6	6
Totals	10	10	8	8	3	3	21	21

*Projects in process, not all yet reported to ARB.

Table 3 summarizes the District's 2007-08 School Bus Program grant project funds, administration funds, and completion status.

Table 3: School Bus Program Funds ¹					
Fiscal Year	Grant Number	Project ²	Administration ²	Total Grant	Grant Status
2007-08	G07-SB029	\$3,904,269	\$152,114	\$4,056,383	In process at time of exit meeting

¹ Interest earned on Lower-Emission School Bus Program fund balances is not included.
² Estimated; the final amount will be based on the number of retrofit projects funded.

Incentive Program Review Report
 Shasta County Air Quality Management District—2012

Table 4 summarizes the number and types of School Bus Program projects within the scope of this review.

Table 4: School Bus Program Projects		
School Bus Project Type	Totals	
	Buses ¹	Projects ¹
Engine Retrofit	26	7
School Bus Replacement	14	13
Total	40	20

¹ As reported in the Proposition 1B bond database as of 7/15/11. Each contract with a public school or transportation provider is counted as a project; one project may include multiple buses.

4. Projects Selected for File Review

Table 5 provides a list of Carl Moyer Program project files reviewed, including projects funded with Carl Moyer Program funds, and District funds used as match funds.

Table 5: List of Carl Moyer Program Projects Reviewed					
	Funding Year	Funding Source	Source Category	Project Name	Project Number
1	2007-08	Carl Moyer Program	Off-road Equipment	RK Ricks 966	CM08-05
2	2007-08	Carl Moyer Program	Off-road Equipment	Packway D7g Bulldozer	CM08-11
3	2008-09	District Funds as Match	Off-road Mobile Agriculture	Hagus D6D	CM09-04
4	2008-09	Carl Moyer Program	Stationary Ag	Bar Eleven 70 HP	CM10-04

Table 6 provides a list of School Bus Program project files reviewed. All of these projects were completed and paid in full at the time of this review.

Table 6: List of 2007-08 School Bus Program Projects Reviewed			
	School Bus Project Type	Project Name	Project Number
1	Replacement	Gateway Unified	SB08-01
2	Replacement	Fall River Joint Unified	SB08-049
3	Replacement	Cottonwood Union Elementary	SB10-10
4	Retrofit	Junction Elementary	SB08-12, 14, 16

Incentive Program Review Report
 Shasta County Air Quality Management District—2012

Table 6: List of 2007-08 School Bus Program Projects Reviewed			
	School Bus Project Type	Project Name	Project Number
5	Retrofit	Shasta County Office of Education	SB08-23, 24, 25, 26, 27

5. Review Findings

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

- State requirements including those under Health and Safety Code sections:
 - 44275 through 44299.2 for the Carl Moyer Program
 - 44299.9 through 44299.91 for the School Bus Program
- *Carl Moyer Program Guidelines (2008)*
 (<http://www.arb.ca.gov/msprog/moyer/guidelines/current.htm>)
- *2008 Lower Emission School Bus Program Guidelines*
 (<http://arb.ca.gov/bonds/schoolbus/guidelines/2008lesbp.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
- 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 the minimum actions the District must take to mitigate the findings.

Under established incentive program review policies and procedures, the District is provided thirty days from the date of the report’s cover letter to submit comments on this report.

Finding 1: Carl Moyer and School Bus Programs—Inadequate Contract Language

Condition 1:

The contract template for the Carl Moyer Program did not include the required detailed information for the baseline engine/equipment.

- Reference: *Carl Moyer Program Guidelines (2008)*, Program Administration, (Section 29) Project Post-inspections.

Incentive Program Review Report
Shasta County Air Quality Management District—2012

Condition 2:

The contract template for the School Bus Program did not consistently spell out that all relevant enforcement, inspection, and audit provisions are in effect for the contract term plus two years.

- Reference: *2008 Lower-Emission School Bus Program Guidelines*.

Condition 3:

The contract template for the School Bus Program did not include the California Department of Finance in the list of those agencies to which the grantee must allow inspection and review rights.

- Reference: *2008 Lower-Emission School Bus Program Guidelines*.

Condition 4:

The contract template for the School Bus Program did not include a provision that specifically ensures that the old bus is dismantled within 60 calendar days of delivery of the new bus.

- Reference: *2008 Lower-Emission School Bus Program Guidelines*.

Required Actions:

Condition 1 requires no further action: The District revised the Carl Moyer Program contract template to include baseline engine/equipment information.

Conditions 2 through 4 require no further actions: The District provided an amended School Bus Program replacement contract template that corrected the identified contract deficiencies. In the event that the District contracts for any retrofit projects in the future, the same changes used to address conditions 2 and 3 must be incorporated into the retrofit contract template.

Finding 2: Carl Moyer Program—Errors in Reporting to ARB.

Condition :

Post-inspection and final funding data were not updated in the ARB Carl Moyer Program Clean Air Reporting Log (CARL) for project number CM09-04.

- Reference: *Carl Moyer Program Guidelines (2008)*, Program Administration, (Section 17) Annual Report.

Required Action:

Condition requires no further action: The District updated the entries in CARL to reflect the accurate post-inspection and final funding data.

Incentive Program Review Report
Shasta County Air Quality Management District—2012

Finding 3: Carl Moyer and School Bus Programs—Incomplete Project File Documentation.

Condition 1:

The Carl Moyer Program project post-inspection form did not provide a place to collect the required model year or horsepower for the reduced-emissions engine.

- Reference: *Carl Moyer Program Guidelines (2008)*, Program Administration, (Section 31) Project Post-inspections.

-

Condition 2:

Two Carl Moyer Program project files (numbers CM08-5 and CM08-11) did not contain the required Executive Orders to show that the new reduced-emissions engines are certified.

- Reference: *Carl Moyer Program Guidelines (2008)*, Part I Chapter 5 Off-Road Compression-Ignition Equipment, Project Criteria, (a)(7).

Condition 3:

The Carl Moyer Program project file for CM08-11 did not include the required documentation to support the choice of the emissions certification level of the new reduced emissions engine.

References:

- Advisory Mail-out #MSC 08-35
- *Carl Moyer Program Guidelines (2008)*, Part I Chapter 5 Off-Road Compression-Ignition Equipment, Project Criteria, (b)(7).

Condition 4:

The school district's authorization document in the file for School Bus Program replacement project number SB08-01 gave the school superintendent authority to contract for retrofit projects only, not replacement projects also.

- Reference: *2008 Lower-Emission School Bus Program Guidelines*.

Condition 5:

For two out of the three school bus replacement projects reviewed (project numbers SB08-01 and SB10-10), the letter from the dismantler did not consistently include all the required details such as the bus vehicle identification number, the engine serial number, and the method used to dismantle the bus and engine.

- Reference: *2008 Lower-Emission School Bus Program Guidelines*.

Incentive Program Review Report
Shasta County Air Quality Management District—2012

Condition 6:

For all three of the school bus replacement projects reviewed (project numbers SB08-01, SB08-049, and SB10-10), the purchase order issued by the school district to the vendor did not include required performance penalty statements.

- Reference: *2008 Lower-Emission School Bus Program Guidelines*.

Required Actions:

Conditions 1 through 6 require no further actions:

- Condition 1: The District revised the post-inspection form to include all the required information.
- Condition 2: The District provided correct Executive Order certifications.
- Condition 3: The District provided correct project eligibility information.
- Condition 4: The District committed to instituting a procedure for more carefully reviewing authorization documentation from the school districts.
- Condition 5: The District has committed to communicating with the dismantler to ensure that all required information is included in future projects. The district provided ARB with a new form they created for the dismantlers to use.
- Condition 6: The District modified the information sheet it provides to grantees to note that the liquidated damages clause must be made a part of and visible on purchase orders for replacement buses. This information has been included in the District's contract with school districts.

6. Resources

- Air Resources Board Carl Moyer Program website
<http://www.arb.ca.gov/msprog/moyer/moyer.htm>
- Air Resources Board Lower-Emission School Bus website
<http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm>
- Air Resources Board Incentives Program Review website
(Includes previous reports and Policies and Procedures)
<http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>
- *The Carl Moyer Program Guidelines (April 21, 2008)*, Air Resources Board
- *2008 Lower-Emission School Bus Program Guidelines (April 15, 2008)*, Air Resources Board