

# **Incentive Program**

## **PROGRAM REVIEW REPORT**

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**Ventura County Air Pollution Control District  
Fiscal Years 2007-08 through 2010-11**

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## 1. Introduction

The Air Resources Board (ARB) is responsible for overseeing a number of voluntary State incentive programs that are implemented through California's 35 local air pollution control districts and air quality management districts (air districts), and other local agencies. As part of this oversight responsibility, ARB staff conducted a program review of the Ventura County Air Pollution Control District's (Ventura County APCD or District) implementation of the following incentive programs:

- The Air Quality Improvement Program (AQIP)
  - Lawn and Garden Equipment Replacement Project
- The Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program)
- The Lower-Emission School Bus Program (School Bus Program)

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 Ventura County APCD is one of the California local air districts located in the South Central Coast Air Basin. The District is responsible for air quality in Ventura County, including the cities of Camarillo, Thousand Oaks, Oxnard and Ventura. The District's incentive programs are crucial components of the District's efforts to reduce emissions and meet requirements of the Federal Clean Air Act Amendments and the California Clean Air Act. The District receives State grant funds and provides District matching funds for these programs.

AQIP was established by the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 to fund clean vehicle and equipment projects that reduce criteria and toxic air pollutants. AQIP is funded by smog abatement, vehicle registration, equipment identification plate, and initial vessel registration fees. ARB develops statewide implementation guidelines, distributes funds to air districts, and conducts periodic oversight. Statute lists eight broad categories for project types, of which the District has implemented a Lawn and Garden Project that encourages the replacement of gas-powered lawn mowers with electric lawn mowers. The District agreed to provide matching funds for the Lawn and Garden Project.

The Carl Moyer Program 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. Funds for the Carl Moyer Program include tire replacement and vehicle

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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, including on-road and off-road vehicles and equipment, marine, shore power, locomotives, portable and stationary agricultural equipment, emergency equipment, lawn and garden equipment, and light duty vehicle scrap. Funded projects must achieve early or extra emission reductions not otherwise required by law or regulation. The Ventura County APCD (like other large and medium-sized air districts) contributes match funds as required by 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 bond funds. The program provides grants to purchase new school buses that replace older, high-emitting buses or to retrofit existing diesel bus engines with ARB-verified diesel emission control systems. ARB develops statewide implementation guidelines, distributes state and federal funds to air districts, 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 the District to contribute match funds towards the program.

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>. The scope of the review includes grant agreements between ARB and the District made in fiscal years 2007-08 through 2010-11. The review began with an entrance conference held on April 23, 2012, at the District office. The results of the program review were presented during an exit meeting held with the District on November 8, 2012.

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). Department of Finance presented its observations and recommendations at a separate exit meeting on June 7, 2012, and has issued a separate report, available through its website at [http://www.dof.ca.gov/osae/audit\\_reports/](http://www.dof.ca.gov/osae/audit_reports/).

This report describes the scope of ARB review, the projects selected for review and site inspections, and resulting findings. Note that ARB 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's Incentive Program Audits and Program Reviews website: <http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>.

## 2. Overall Assessment

The District's incentive programs are efficiently and effectively achieving their emission reduction objectives. ARB staff commends the District for maximizing emission reductions achieved for each public dollar spent through implementation of a more stringent cost-effectiveness cap for the Carl Moyer Program than required by statute. ARB staff identified one Carl Moyer Program finding and one School Bus Program finding during the course of the review.

### a. AQIP Lawn and Garden Project

The District reports that its 2009-10 AQIP Lawn and Garden Project experienced strong demand and resulted in the replacement of 225 high-polluting lawn mowers with zero-emission mowers using \$50,000 in funding from ARB. In addition, the AQIP Lawn and Garden Project grant required the District to provide a one-to-one funding match. To participate in this program, applicants living in the District either attended one of two 'trade-in' events or submitted applications (with a receipt from a metal recycler) to the District and received a voucher. The voucher was subsequently redeemed for a new zero-emission electric mower via mail order to a mower manufacturer or in person at a Lowe's store. ARB staff identified no findings or recommendations for the District's implementation of the AQIP project.

### b. Carl Moyer Program

The District's Carl Moyer Program (including Multidistrict grants) funded over 213 engine replacements and/or retrofits of diesel engines with \$7,741,381 in State and District match funding during the scope of the review. ARB staff identified one finding regarding the District's implementation of the Carl Moyer Program, related to insufficient documentation of project inspections. The finding is discussed in section 5 of this report.

### c. School Bus Program

The District participated in the School Bus Program during the period covered by this review, accepting Proposition 1B bond-funded grants in 2007-08. For the 2007-08 Proposition 1B bond-funded School Bus Program, the District was allocated \$5,068,913 for implementation of its School Bus Program. In total for the years within the scope of this review, the District reports funding 27 school bus replacements. In addition, there were 102 retrofits funded under the Program. ARB staff identified one finding regarding the District's implementation of the School Bus Program, related to inadequate documentation in project files. The finding is discussed in section 5 of this report.

### 3. Scope of the Program Review

The scope of the review covered the District's implementation of incentive programs associated with grants awarded from fiscal year 2007-08 through 2010-11.

For AQIP, the scope of the review covered a Lawn and Garden Project awarded in 2009-10. Table 1 lists the project and administration funding that the District received to implement the program, and lists the District's match funding associated with the Lawn and Garden Project.

Grant Number	Project Name	Project Funds	Administration Funds	Total Grant	Required Match	Totals
G09-AQIP-10	Lawn and Garden Project	\$45,000	\$5,000	\$50,000	\$50,000	\$100,000

<sup>1</sup> Interest earned by the District and District funds beyond the match requirement are not included in table.

For the Carl Moyer Program, the scope of the review covered grants awarded in 2007-08 through 2010-11. 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 each grant.

Fiscal Year	Grant Number	Project <sup>2</sup>	Administration	Total Grant	Matching Funds <sup>3</sup>	Total
<b>Carl Moyer Program</b>						
2007-08	G07-M027	\$1,709,154	\$189,906	\$1,899,060	\$293,065	\$2,192,125
2008-09	G08-M032	\$1,479,193	\$164,355	\$1,643,548	\$292,655	\$1,936,203
2009-10	G09-M031	\$1,263,865	\$140,430	\$1,404,295	\$210,644	\$1,614,939
2010-11	G10-M032	\$1,189,916	\$132,213	\$1,322,129	\$198,319	\$1,520,448
<b>Carl Moyer Program—Multi-district</b>						
2008-09	G08-M040	\$214,950	\$23,883	\$238,833	\$238,833	\$477,666
<b>Total</b>		<b>\$5,857,078</b>	<b>\$650,787</b>	<b>\$6,507,865</b>	<b>\$1,233,516</b>	<b>\$7,741,381</b>

<sup>1</sup> Interest earned by the District is not included in table.

<sup>2,3</sup> ARB waived the match requirement for the Multidistrict grants.

For the School Bus Program, the review covered fiscal year 2007-08 Proposition 1B bond-funded grants for diesel engine retrofit and bus replacement projects. Table 3 lists the School Bus Program grants implemented during the scope of the review.

<b>Table 3: Lower-Emission School Bus Grants<sup>1</sup> 2007-08 Proposition 1B Funds</b>			
<b>Grantee and Grant Number</b>	<b>Project</b>	<b>Administration</b>	<b>Total Grant</b>
Ventura County APCD G07-SB034	\$4,873,760	\$195,153	<b>\$5,068,913</b>
<sup>1</sup> Interest earned by the District is not included in table.			

#### 4. Projects Selected for Review and Site Inspection

The process for choosing projects to review involved selecting a sample that reflected the diversity of project types funded by the District during 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 through 3 (above), and the interest earned on those grant funds and expended on projects.

The District also used \$2 in Assembly Bill 923 motor vehicle fees to fund projects during the time span covered by the review. Such projects were considered in selecting the review sample. ARB staff also selected and evaluated 3 non-match \$2 Assembly Bill 923 funded projects, but found no irregularities and thus will not issue a separate report per the 2011 Carl Moyer Program Guidelines, Program Administration Chapter, Section V.6.(B).

##### a. AQIP Lawn and Garden Project

Table 4 summarizes the numbers of electric mowers funded by the District's AQIP Lawn and Garden Project as reported by the District.

<b>Table 4: Air Quality Improvement Program</b>			
<b>Project</b>	<b>Grant Funded</b>	<b>Match Funded</b>	<b>Total Units</b>
Lawn and Garden Project	225	* 266 <sup>1</sup>	<b>491</b>
<sup>1</sup> District match exceeded the minimum required \$50,000 (250 mowers)			

The program review team did not review individual recipients of Lawn and Garden Project vouchers but did review the District Program Implementation Proposal that was submitted to ARB prior to implementing the Project and Program invoices. The Proposal was created for adherence to the District's policies and procedures and ARB

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program guidelines. No findings were identified in the reviewed files or the inspected project documents.

*b. Carl Moyer Program*

The Carl Moyer Program project categories that the District funded during the scope of the review include the following: Agricultural Pumps, Off-Road Construction Equipment, Off-Road Mobile Agricultural Equipment, Agriculture Assistance, Marine Vessels, On-Road Heavy-Duty Vehicles and On-Road Voucher Incentive Program Vehicles. Table 5 summarizes the source category types and the number of engines and projects funded during the scope of the review.

(See Table 5 on next page)

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**Table 5: Carl Moyer Program Engines and Projects<sup>1</sup>**

Fund Source	Source Category	2007-08		2008-09		2009-10		2010-11		Total	
		Engines / Projects									
Carl Moyer Program	Ag Pump	3	2	0	0	0	0	0	0	3	2
	Off-Road Construction	0	0	0	0	0	0	0	0	0	0
	Off-Road Mobile Ag Equipment	14	5	12	8	24	14	31	14	81	41
	Marine Vessels	16	12	14	9	2	1	2	1	34	23
Carl Moyer Program Multi - District	Ag Pump	0	0	0	0	0	0	0	0	0	0
	On-Road VIP Vehicles	0	0	6	6	0	0	0	0	6	6
	Off-Road Mobile Ag Equipment	0	0	0	0	0	0	0	0	0	0
Carl Moyer Program - Match	Ag Pump	3	2	0	0	0	0	0	0	3	2
	Off-Road Construction	1	1	0	0	0	0	0	0	1	1
	Off-Road Mobile Ag Equipment	8	3	2	1	11	2	57	22	78	28
	On-Road Heavy-Duty Vehicles	5	1	0	0	0	0	0	0	5	1
	On-Road VIP Vehicles	0	0	2	2	0	0	0	0	2	2
<b>Total</b>		<b>50</b>	<b>26</b>	<b>36</b>	<b>26</b>	<b>37</b>	<b>17</b>	<b>90</b>	<b>37</b>	<b>213</b>	<b>106</b>
<sup>1</sup> Projects for which funding is split between multiple funding sources have been split accordingly and project numbers have been rounded.											
Source of Data: Ventura County 2012 Yearly Report and data reported in CARL as of 7/2/2012.											

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The program review team selected 11 project files for in-depth review, as shown in Appendix 1, Table 1. The table also identifies that six of the reviewed projects were also inspected in the field by ARB program review staff. One finding was identified in the reviewed files. No findings were identified from the inspected projects.

*c. School Bus Program*

The School Bus Program projects in the review sample were selected to include the different sources of funding and the 2 school bus project types (retrofits of school bus diesel engines and replacements of old school buses) funded by the District over the scope of the review. Table 6 summarizes the School Bus project types, the number of projects, and individual buses funded by the District during the scope of the review.

<b>Table 6: Lower-Emission School Bus Program Projects and Number of Buses Funded<sup>1,2</sup></b>				
<b>Grant Number Grant Name</b>	<b>Project Type</b>	<b>Retrofits</b>	<b>Replacements</b>	<b>Total</b>
<b>2007-08 District Projects</b>	<b>Buses</b>	<b>102</b>	<b>27</b>	<b>129</b>
	<b>Projects</b>	<b>13<sup>3</sup></b>	<b>3</b>	<b>16</b>
<sup>1</sup> Each contract with a public school or transportation provider is counted as a project; one project may include multiple buses <sup>2</sup> Current as of 2/13/12 (from Proposition 1B bond database) <sup>3</sup> Includes retrofit projects that are combined with replacement projects				

From these projects, the program review team selected 4 School Bus Project files for in-depth review and 1 for on-site inspection by program review staff, as identified in Appendix 2, Table 1. One finding was identified through file review.

**5. Review Findings**

ARB's programmatic review has resulted in one finding regarding the District's implementation of the Carl Moyer Program, and one finding regarding the District's implementation of the Lower Emission School Bus Program, as described below. The results of the Department of Finance's independent fiscal review are included in its report, available at [http://www.dof.ca.gov/osae/audit\\_reports/](http://www.dof.ca.gov/osae/audit_reports/).

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“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:
- AQIP – California Code of Regulations, title 13, Division 3, Chapter 8.2.
- Guidelines for the AB 118 Air Quality Improvement Program, Section 2357 Oversight and Accountability.
  - 44275 through 44299.2—Carl Moyer Program.
  - 44299.90 through 44299.91—School Bus Program.
- Governor’s Executive Order S-02-07.
- Carl Moyer and School Bus Program Guidelines (2006 and newer versions) (<http://www.arb.ca.gov/msprog/moyer/guidelines/current.htm>) (<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. If the District provides comments they will be posted with this report.

*a. AQIP Lawn and Garden Project*

ARB staff identified no findings or recommendations for the District’s implementation of the AQIP project.

*b. Carl Moyer Program*

ARB staff identified a finding of insufficient documentation of project inspections to determine project eligibility.

Condition: Project file review revealed that District pre-, post-, and scrap inspections do not sufficiently record and verify essential engine information. In a majority of files, reviewed engine plate photographs and engine labels did not legibly convey the information needed to determine eligibility for baseline engines, new engines and engines to be scrapped as part of Guideline requirements. Several photos were not

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clear or legible (blurry/out of focus), or labels were only partially visible. Photographs of District Tag numbers were missing from some files; these are required to adequately document that the correct engine was destroyed. (Note: No cases of ineligibility of replacement engines were found in ARB's equipment inspections later conducted as part of this program review.)

References:

- 2008 Carl Moyer Program Guidelines, Program Administration, (Section 30) Project Pre-Inspection, page 37, (Section 31) Post-inspection, page 39, Best Management Practices for Scrap #31.
- Similar citations found in 2008 and 2011 Carl Moyer Program Guidelines.

Required Actions: For all future projects, ARB requests that the District more fully track inspection information, by collecting additional, better quality photographic documentation for all engines during the pre-, post-, and scrap/destruction inspection processes. Each project file should include photographic evidence of what transpired, including clear and legible photographs of district tags and engines plates.

The District has already committed to address this issue directly, as discussed in its November 20, 2012 letter following the program review exit conference. The District has purchased a new camera designed for pre- and post-inspection photography, and has committed to work with the Moyer Program liaison to develop an improved protocol for verification of engine destruction at scrap facilities, subject to appropriate safety considerations. ARB appreciates these corrective actions, and the Moyer Program liaison will work with District staff as suggested to review future inspection records and ensure that the new procedures are followed and provide sufficient documentation.

*c. Lower-Emission School Bus Program*

ARB staff identified a finding of inadequate documentation.

Condition: Project files were missing required documentation. Two purchase orders for replacement buses did not contain liquidated damages clauses.

References:

- 2008 Lower Emission School Bus Guidelines, (page C-4)

Required Action: For all future projects ARB requests that the District modify its process to ensure each purchase order contains a liquidated damages clause, as part of required documentation contained in the project file.

The District has already committed to address this issue directly, stating in its letter dated November 20, 2012 a commitment to enforce the inclusion of liquidated damages clauses in all school bus replacement purchase orders. ARB appreciates this corrective action.

## 6. 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 successfully implementing the Carl Moyer Program in an especially cost-effective way. The District has applied a more stringent cost-effectiveness cap than required by statute, resulting in delivery of greater emission reductions. This has had the additional benefit of funding a greater number of Moyer projects.

The District's approach to cost-effectiveness has resulted in emission reductions that are well above the statewide average. The efforts of District staff to distribute funds in this manner has resulted in more grantees obtaining funding and increased local emission reductions per public dollar spent.

## 7. Resources

- a. Air Resources Board Lower-Emission School Bus website  
<http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm>
- b. Air Resources Board Carl Moyer Program website  
<http://www.arb.ca.gov/msprog/moyer/moyer.htm>
- c. Air Resources Board Incentive Program Oversight website (includes previous reports and Policies and Procedures)  
<http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>
- d. *Lower-Emission School Bus 2008 Guidelines* (April 15, 2008), Air Resources Board
- e. *Carl Moyer Program 2005 Guidelines* (January 6, 2006), Air Resources Board
- f. *Carl Moyer Program 2008 Guidelines* (April 21, 2008), Air Resources Board
- g. *Carl Moyer Program 2011 Guidelines* (April 28, 2011), Air Resources Board
- h. Governor's *Executive Order S-02-07*

## Appendix 1 Carl Moyer Program Projects Reviewed

<b>Table 1                      Projects Reviewed                      Carl Moyer Program</b>				
<b>Fiscal Year</b>	<b>Contract/Project Number</b>	<b>Grantee</b>	<b>Source Category</b>	<b>Project Inspected by ARB</b>
2007-08	10-23	Rio Mesa Farms	Agriculture Assistance	
2008-09	10-3	Aliotti Brothers, Inc. - EL DORADO	Marine Vessel	√
2008-09	10-14	E.J. Harrison	On-Road Heavy Duty Vehicles	√
2008-09	11-2	Grimes Y11 Rock Inc.	Off-Road Construction	
2008-09	11-15	Richard Parks - MISS ASTRID	Marine Vessel	
2008-09	13-36	Reiter Brothers	Off-Road Mobile Ag replacement	√
2009-10	11-1	Laser Leveling Services Inc.	Off-Road Mobile Ag replacement	√
2009-10	11-9	Placco Electric Pump	Ag Pump	
2009-10	2HSCAAHN5YC074767	Velazquez Packing	On-Road VIP	
2010-11	12-44	Laubacher Farms	Ag Pump	√
2010-11	12-26	Oceanview	Agriculture Assistance	√

## Appendix 2 Lower-Emission School Bus Program Projects Reviewed

<b>Table 1</b>				
<b>Projects Reviewed</b>				
<b>Lower-Emission School Bus Program</b>				
Fiscal Year	Contract/Project Number	Grantee	Project Type	Project Inspected by ARB
2007-08	SBRP08-1	Ventura Unified School District	Replacement	
2007-08	SBRT08-2	Ventura Unified School District	Retrofit	
2007-08	SBRP10-2	Moorpark Unified School District	Replacement	
2007-08	SBRT08-7	Durham School Services	Retrofit	√
2007-08	SBRT10-2	Oxnard Union High School District	Retrofit	