Air Resources Board

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July 13, 2006

Mr. Michael Villegas
Air Pollution Control Officer
Ventura County Air Pollution Control District
669 County Square Drive
Ventura, California 93003

Dear Mr. Villegas:

The Ventura County Air Pollution Control District ("District") was audited during the Air Resources Board's (ARB) staff review of the Carl Moyer Air Quality Standards Attainment Program (Carl Moyer Program) in 2006. ARB conducted this audit as a part of its program oversight responsibility as specified in Health and Safety Code section 44291(d). The audit was conducted in two phases. The desk review began on April 3, 2006, and the on-site phase began on May 8, 2006. The ARB staff appreciated the professionalism and cooperation of the District staff during the audit.

The audit report is enclosed. The audit found that the District's Carl Moyer Program efficiently and effectively obtains surplus emission reductions through the purchase of new alternative fuel on-road trucks, and cleaner engines for marine vessels and construction equipment. The District operates a very good Program, and most of the five findings relate only to administrative issues. The District has until August 21, 2006 to submit a written plan of action to address the required actions in the enclosed audit report. If the District does not do so, their Carl Moyer Program will be deemed "at-risk," subjecting the district to additional oversight from ARB to address any outstanding findings. This audit report and the District's response are public and will be included in the Carl Moyer Program's annual report to ARB in January 2007. ARB encourages the District to make the same information available to the public at the local level.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: http://www.arb.ca.gov.

California Environmental Protection Agency

If you have any questions regarding the monitoring process or the results of this audit, please contact me at (916) 445-4383 or have your staff contact Mr. Robert H. Cross, Chief, Mobile Source Control Division, at (626) 575-6807.

Sincerely,

Catherine Witherspoon
Executive Officer

Enclosure

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Carl Moyer Air Quality Standards Attainment Program
Audit Report

Ventura County Air Pollution Control District
Fiscal Years 2002/2003 and 2003/2004

Prepared by:
Mobile Source Control Division
Air Resources Board

July 2006

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Attachment 1: List of Projects Reviewed

Executive Summary

The Carl Moyer Air Quality Standards Attainment Program ("Carl Moyer Program" or "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. The Carl Moyer Program is implemented through a partnership between the Air Resources Board (ARB or "Board") and the 35 local air districts. ARB distributes state funds to local districts, develops statewide Guidelines, and has oversight responsibility. The air districts select and pay for clean air projects in their local area that meet the requirements of the Health and Safety Code and the statewide Guidelines. Districts also provide local match funds and resources to administer the Program.

As part of ARB's oversight authority, ARB staff audited the Ventura County Air Pollution Control District's (VCAPCD or "District") implementation of the Carl Moyer Program to ensure compliance with state law and ARB's applicable Program Guidelines. The audit focused on the 2002/2003 and 2003/2004 fiscal year funds. ARB staff also reviewed the District's implementation of fiscal year 2004/2005 and 2005/2006 funds to determine whether the District is complying with the requirements of the expanded program and new ARB Guidelines that were approved in November 2005.

The VCAPCD is responsible for air quality in Ventura County, a coastal region with a population of 800,000. Ventura County's air quality does not meet federal or California health-based standards for ozone (smog), nor does it meet California standards for particulate matter. Emission reductions from the Carl Moyer Program are reflected in VCAPCD's federally-required State Implementation Plan – their road map for describing how the region will achieve healthful air.

The VCAPCD has operated a Carl Moyer Program since the Program's inception in 1998. Over the past eight years, ARB has provided the District with over $7.9 million in Carl Moyer Program funds. The District has contributed staff resources and more than the required match funding – leveraging the state dollars with $2.9 million in local funds. To date, all of the VCAPCD's funds have been obligated (promised to projects by contract), and 79 percent of those funds have been spent on projects that are in operation. The majority of the VCAPCD's Carl Moyer Program funds have been used to pay for new alternative fuel on-road trucks and cleaner engines for marine vessels and construction equipment. The state Carl Moyer Program Years 1 through 6 funds have funded 190 cleaner engines, reducing smog-forming nitrogen oxides (NOx) emissions by 202 tons and diesel soot by almost 16 tons over the life of the projects. The average cost-effectiveness of the District's projects is about $3,700 per ton of NOx which is better than the state average cost-effectiveness for the program.

The audit found that the District's Carl Moyer Program efficiently and effectively obtains surplus emission reductions. The Program meets most of the requirements of the Health and Safety Code and the applicable Carl Moyer Program Guidelines. The District is frequently at the forefront of improvements to the Carl Moyer Program and

was one of the districts that pioneered many of the administrative improvements in the 2005 Guidelines.

As a result of the audit, ARB staff is making five findings that require action from the District. The most significant finding pertains to the District's funding of two ineligible projects. In response to this finding, the District has already repaid $98,493 and reprogrammed $221,493 to eligible projects, thereby maintaining all of the anticipated emission reductions from the program.

I. Background

The Carl Moyer Air Quality Standards Attainment Program (Carl Moyer Program) is a grant program that funds the extra capital cost of cleaner than required vehicles and equipment to provide California with air quality benefits. The ARB and the local air districts work cooperatively to implement the Carl Moyer Program. The local districts have the responsibility of implementing the local Carl Moyer Program by soliciting applicants, selecting, funding and monitoring projects, while the ARB has the responsibility of overseeing the statewide program to ensure funds are expended as required by the Health and Safety Code and the Carl Moyer Program Guidelines (www.arb.ca.gov/msprog/moyer/guidelines/current.htm). Health and Safety Code section 44287(k) requires timely expenditure of funds on projects that generate real, quantifiable, and surplus emission reductions. To ensure funds are expended as required, ARB has the authority to audit each district's implementation of its local Carl Moyer Program. These audits also provide ARB with a mechanism for identifying potential improvements for the future statewide program.

The ARB's audit of the Ventura County Air Pollution Control District's (VCAPCD) Carl Moyer Program satisfies the requirements of Health and Safety Code section 44291 with regard to ARB's audit responsibilities. While the VCAPCD has administered the Carl Moyer Program since the Program's inception in 1998, this audit focuses on projects that the District paid for with Proposition 40 funds during Year 5 (fiscal year 2002/2003) and Year 6 (fiscal year 2003/2004). Proposition 40 is California's Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act (Public Resources Code section 5096.650). For these two program years the district was required to follow the approved 2003 Carl Moyer Program Guidelines. Hence, ARB staff reviewed the District's program for Years 5 and 6 to determine if the District followed the Health and Safety Code, as well as the 2003 Carl Moyer Program Guidelines.

This audit also reviewed the status of the District's implementation of Year 7 (fiscal year 2004/2005) and Year 8 (fiscal year 2005/2006) funds. Years 7 and 8 mark the expansion of the Carl Moyer Program, when SB 1107 and AB 923 went into effect and the Program experienced a significant influx of funding. Although Years 7 and 8 funds are not required to be fully expended until June 30, 2007 and June 30, 2008, respectively, ARB staff reviewed implementation of funds for these two years to determine the impacts of the expanded program and newly approved 2005 Carl Moyer Program Guidelines.

Staff from both the ARB and VCAPCD participated in this audit. The ARB audit team included ARB management - Jack Kitowski, Lucina Negrete and Edie Chang - and ARB's Carl Moyer Program staff- Susan Levenson-Palmer (district liaison to VCAPCD), Bruce Tuter, Johanna Levine, Joseph Calavita and Heather Arias. The ARB audit team wishes to thank the participating VCAPCD management and staff - Michael Villegas, Vicki Workman, Nancy Mendoza, Jerry Mason (VCAPCD's Carl Moyer Program staff), Chris Frank, and Keith Duval.

II. Audit Procedure

ARB's audit of VCAPCD's Carl Moyer Program was conducted in two phases: 1) a desk review and 2) an on-site review. The desk review began on April 3, 2006 and the on-site review began on May 8, 2006.

The desk review included a review of the District's solicitations and selection process of projects for Program Years 5 and 6. During the desk review ARB staff also analyzed the District's implementation of the expanded Carl Moyer Program by reviewing the District's solicitations for Years 7 and 8 projects. The following documents for Year 8 were also reviewed to determine if the District is following the new administrative procedures in the approved 2005 Carl Moyer Program Guidelines:

- Draft Policies and Procedures Manual that describes District practices for Carl Moyer Program implementation (final submittal required to ARB by November 15, 2006 as described in section IV.G. of the Guidelines)
- Engine Inspection Forms
- Boiler Plate Contract Language for Year 8 projects

The desk review also included selecting a sample of Carl Moyer Program projects for the file review that would take place as part of the on-site review. The sample was taken from projects that were paid for with state funds and District local match funds under the Carl Moyer Program and included:

- Ten Year 5 projects representing projects in the on-road, off-road, marine vessel and agricultural pump source categories, and one infrastructure project (funded with match funds)
- Six Year 6 projects representing projects in the off-road, marine, and agricultural pump categories and one infrastructure project (funded with match funds)

While at the District's office, ARB staff randomly selected four additional projects, one to verify that the District's files were all maintained consistently; one to determine how the District handles interest funds generated from Carl Moyer Program funds; and two Year 8 projects to assess the District's implementation of the new approved 2005 Carl Moyer Program Guidelines.

The ARB audit team completed a review of the program and fiscal files for these 20 projects. Field visits were only conducted for the 16 originally selected projects. To provide District staff with sufficient time to set up the field visits, ARB staff notified District staff of the 16 originally selected projects on April 26, 2006. Attachment 1 contains a descriptive list of the sampled projects reviewed.

During the on-site review, the ARB audit team also reviewed fiscal files to document the District's practices for tracking and expenditure of in-kind match and earned interest for

program Years 5 and 6 and the District's tracking systems for in-kind match, earned interest and outreach funds for program Year 8.

The results of this audit are presented below. Section III provides a description of the VCAPCD's implementation of the Carl Moyer Program. Section IV includes a description of the District's commendable efforts. Section V outlines recommended program improvements for the District's continued success. Finally, Section VI provides the findings, conditions and required actions based on the ARB audit team's review of the District's files and project site visits. "Findings" are brief descriptions of practices that are inconsistent with state requirements under the Carl Moyer Program Guidelines and/or the District's written policies and procedures, including its contract with the engine owners. "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 remedy the findings. The District may respond to any recommendation provided in this report. The District must respond to the findings detailed in Section VI. The District's written response to this audit report must be submitted to ARB within 30 days of notification of the findings.

III. VCAPCD's Implementation of the Carl Moyer Program

The VCAPCD has implemented the Carl Moyer Program since the Program's inception in 1998. Over the eight years of implementing this Program, the District has developed working relationships with engine manufacturer representatives and assembled a comprehensive mailing list. The mailing list includes everyone who has requested a copy of a solicitation for the program. The District's outreach efforts include notifying the engine manufacturer representatives and entities on the mailing list about the Request for Proposal (RFP). The District also provides presentations to companies and service organizations about the Program. For example, to outreach to zero-emission projects District staff have contacted the local electric company and made presentations to organizations that include farmers.

The District's RFP specifies a date the District begins to accept applications. Once the District receives the applications, District staff validate the eligibility of each project by calculating each engine's cost-effectiveness and conducting a pre-inspection. The District gives priority to alternative fuel projects by setting aside a percentage of its total allocation to be awarded to alternative fuel projects. As long as the alternative fuel project meets the cost-effectiveness limit, the District funds the project. If the alternative fuel set aside funds are not fully utilized, those funds are made available to other non-alternative fuel projects on the District's project list. These projects are ranked and selected based on cost-effectiveness. District staff presents the selected projects to the VCAPCD Board for approval. VCAPCD accepts applications until all funds are obligated by the Board.

Once contracts are signed, engine owners can begin work on their projects. When the project is complete, the engine owner submits an invoice to the District. District program staff conduct a post-project inspection and review the invoice to ensure the

project is completed and invoiced as required. District program staff approve the invoice for payment and submit a request for payment to District fiscal staff. District fiscal staff review the request for payment, process the request for payment and submit the request electronically to the county auditor-controller for payment.

The District collects engine usage data from the engine owners on an annual basis through the end of the contract term. The District has pursued action against engine owners for noncompliance with contract terms, when necessary.

For Years 1 through 6 the VCAPCD funded 190 engines, utilizing over $5 million of Carl Moyer Program funding. The ARB estimates that projected funded in Years 1 through 6 by the VCAPCD with Carl Moyer Program funds will reduce NOx emissions by 202 tons and PM by 15.6 tons over the life of the projects. VCAPCD leveraged the Years' 1 through 6 Carl Moyer Program funds with over $2.2 million of District match. Through Year 8 VCAPCD has been allocated a total of $7.9 million in Carl Moyer Program funds leveraged with over $2.9 million of District match. Every year the District received applications requesting funds that far exceeded the District's allocation of Carl Moyer Program funds. For example, in Year 7 (fiscal year 2004/2005) 30 applications totaling $2.1 million were submitted. The District's Carl Moyer Program allocation that year was slightly over $660,000.

IV. Commendable Efforts

The commendable efforts included in this section are noteworthy accomplishments of the District. Commendable efforts are exceptional practices that should serve as a statewide model for the Carl Moyer Program. ARB staff concluded that several areas of the VCAPCD program are noteworthy as commendable.

A. Leading Program Refinements

In a number of instances VCAPCD is at the forefront of implementing refinements to the Carl Moyer Program that are exceptional and go beyond the requirements in the Carl Moyer Program Guidelines. For example, VCAPCD implemented pre- and post-inspections of projects prior to the addition of the requirement in the 2005 Carl Moyer Program Guidelines. In addition, VCAPCD required destruction of the baseline engine in many source categories prior to the requirement in the 2005 Carl Moyer Program Guidelines. The District implemented this requirement to ensure reductions obtained were real, and old engines were no longer operated in California.

B. Timely Obligation and Expenditure of Allocation

VCAPCD's most commendable effort is in the obligation and expenditure of funds. Districts are required to obligate funds to projects by June 30 of the first year and expend funds by June 30 of the second year. Based on the ARB audit team's review of VCAPCD's RFP, selection and payment process for Years 5 and 6 Carl Moyer Program funds, the District is able to issue an RFP and select and pay for projects in a timely

manner. On average, VCAPCD takes one month from the date the District receives its award from ARB to issue an RFP. From the date the District begins to accept applications, VCAPCD takes an average of three months to obligate all of the funds with fully executed contracts. On average the District takes an additional nine months to expend its funds with invoices authorizing project payments. It typically took less than one month from the District's receipt of the engine owner's invoice to the date the auditor-controller issued payment to the owner. These time frames are exceptionally quick. VCAPCD is making similar progress with their Years 7 and 8 Carl Moyer Program funds.

It is important to note that VCAPCD maintains this exceptional progress even though the VCAPCD Board approves every project. The District's successful accomplishment is achieved, in part, because the District invites those engine owners whose projects are selected to attend the Board meeting. Engine owners attending the Board meeting sign their contract at the meeting and VCAPCD obtains fully executed contracts the day of the meeting. Thus, engine owners may begin work on their projects immediately after the Board meeting.

C. Responsiveness to Audit

During the period of this audit, VCAPCD staff made considerable efforts to address issues identified by ARB staff. This responsiveness is indicative of the VCAPCD's commitment to the Carl Moyer Program. Because of this responsiveness, a number of the items listed under the recommendations and findings sections include information on changes the District has already or is in the process of implementing.

D. Timely Reporting

Districts are required to submit annual reports to ARB to show obligation of funds to projects by June 30 of the first year and final reports that show expenditure by June 30 of the second year. VCAPCD's efforts in submitting the required annual and final reports are exceptional. The District always submits complete annual reports to ARB by the June 30 annual deadline and frequently submits its final reports to ARB ahead of the required deadline.

V. Recommendations for Future Program Improvement

VCAPCD should consider improving the current implementation of the Carl Moyer Program as noted below. A number of these improvements are required starting with Year 8 funds as noted in the corresponding 2005 Guidelines section which are cited in parenthesis. These recommendations do not require a response from the District, although the District may comment on the recommendations in the District's written response.

A. Documentation in Project Files

During the audit ARB observed that the District maintains a combination of hard copy project files and project documents in electronic files. Beginning with Year 8 districts are required to maintain documentation in each of the Carl Moyer Program projects' hard copy files of the projects' eligibility verification and compliance with program requirements (sections V.D.2 and V.E.). As a result of the audit, VCAPCD reorganized its documentation (copies of calculation worksheets, EPA/IMO certifications, Executive Orders, Tier II exemptions) to complete their hard copy project files, and to document eligibility verification and compliance with program requirements. Note that the 2005 Guidelines allow districts to use a solely electronic file system after satisfactorily demonstrating to ARB staff that all documentation is maintained and can be easily accessed on demand (section V.E.).

B. Documentation of Inspections

The District has a history of completing on-site inspections prior to obligation (pre-inspection) and expenditure (post-inspection). For Year 8 and beyond the District must document the completion of pre- and post-inspections using a District designed form(s) that includes the minimum elements in the Guidelines (sections IX.A and B.) and maintain that documentation in the project file. For Year 8 the District developed and utilized an inspection form that included many, but not all, of the required elements. The District is currently making modifications to include all the required elements into its inspection form.

C. Quality Assurance/Quality Control

The District subsidizes the Carl Moyer Program with staff resources beyond the allowable in-kind match. However, the District only has resources available to have one Program Manager oversee its local Carl Moyer Program. With the expansion of the Carl Moyer Program, there will be an increase in projects that will also require an increase in quality assurance/control of program related documents. Therefore, ARB staff recommend the District develop an approach to ensure quality control/quality assurance.

D. Itemized Invoices

The District currently includes invoices in its hard copy project and fiscal files. However, it is unclear which items on the invoices are being paid for with Carl Moyer Program funds and which are the responsibility of the applicant. The 2005 Carl Moyer Guidelines (section X.) require itemized invoices that clearly delineate eligible expenses the District approves to be paid. The ARB staff recommend the District include the itemized invoice in the project file along with a clear delineation of the costs that were reimbursed with Carl Moyer Program funds. In addition, the practice for accomplishing this delineation should be included in the District's policies and procedures manual (see Recommendation F below).

E. Zero-Emission, Small Business and Environmental Justice Projects

In the 2005 Guidelines, ARB strongly encourages districts' solicitations of Year 8 and future funds to expand and document outreach and obligation to zero-emission, small business and environmental justice projects (section V.A.). VCAPCD has made efforts to recruit zero-emission projects through the local electric company and public service organizations with farmer participation. The District has also made a commitment to prioritize zero-emission projects in future program solicitations. Furthermore, during the audit period the District provided a listing of funded projects that qualify as small business projects. This listing shows that over 40 percent of Year 5 and over 70 percent of Year 6 Carl Moyer Program funds were awarded to small businesses. The ARB staff applaud these efforts and encourages the District to institutionalize these efforts in the District's policies and procedures manual as well as to document these efforts in its program files for each fiscal year.

F. Policies and Procedures Manual

The approved 2005 Carl Moyer Program Guidelines require districts to submit their local policies and procedures manual for implementation of their local programs to ARB by November 15, 2006 (section IV.G.). The Guidelines also outline minimum information that districts must include in these policies and procedures. During the audit, the District supplied ARB with a proposed policies and procedures manual for review. The District's effort to submit this to ARB during the audit period, in advance of the required deadline and before the district received a sample policies and procedures manual from ARB, is noted as commendable. ARB staff provided the District with initial comments that the proposed manual needs additional information pertaining to the District's operational procedures in conducting its local program. The District plans to modify its manual to include operating procedures as required by the deadline.

VI. Findings, Conditions and Required Actions

This section specifies findings, conditions and required actions as a result of ARB's review of VCAPCD's Carl Moyer Program. "Findings" are brief descriptions of practices that are inconsistent with state requirements under the Carl Moyer Program Guidelines and/or the District's written policies and procedures, including its contract with the engine owners. "Conditions" are more detailed descriptions of the practices the ARB audit team observed during the audit period. The conditions include, where appropriate, a description of the remedying actions the District has already committed to or taken. "Required Actions" are the minimum actions the District must take to remedy the findings. The District must provide ARB with a written response to required actions by submitting a plan to remedy the respective findings listed below or will be "at-risk" as defined in section XI.B. of the Guidelines. The District's written response must be submitted to ARB within 30 days of notification of the findings.

Finding 1: The District funded two ineligible projects.

Condition: During the file review of match- and earned interest-funded projects the audit team found two projects (project numbers VCCMP-02001 and VCAPCD-08-05-01) that were not eligible because the technology used did not meet the requirement of a 15 percent NOx emission reduction in the 2003 Carl Moyer Program Guidelines. This finding requires the re-payment of $98,493 and reprogramming of $221,493 in Carl Moyer Program State funds.

VCAPCD has already repaid and reprogrammed funds with a project that the District paid for with local funds. The ARB staff have reviewed this replacement project and verified its eligibility. At the June 2006 VCAPCD Board meeting, District staff presented a proposal to their Board to reprogram these funds to the new eligible project and repay the Carl Moyer Program from District local funds.

Since the original projects were not to be operational until 2006 and the replacement project will become operational in 2006 there are no lost emission reductions.

Required Actions: Based on this finding, District staff must review all its program project files to determine if any other Carl Moyer Program funds were used to pay for the technology used in the identified ineligible projects. If so, the District must notify the ARB of the projects and the amount of funds that must be reprogrammed.

District staff must also provide the ARB with revised final reports for all affected years. The final reports must contain the pertinent information for the new, qualified Carl Moyer Program projects and delete the ineligible projects.

Finding 2: There was no documentation of notification of incomplete applications.

Condition: In files with incomplete applications, there was no documentation of the District informing the applicant that their application was incomplete. The notification of an incomplete application must be dated within five days of receipt of the application [Health and Safety Code section 44288(a)].

Required Actions: The District must include documentation in the hard copy project file of actions taken to notify an engine owner that their application is incomplete.

Finding 3: The District's project selection process was not fully documented.

Condition: Health and Safety Code section 44288(a) requires projects to be evaluated with respect to the Guidelines and the districts' own selection criteria. The written information supplied by the District did not provide a clear explanation of how projects are selected for funding. For each fiscal year, the District submitted lists of projects ranked by cost effectiveness. One list was titled, "Projects Recommended for Funding." Another list was titled, "Projects Not Recommended for Funding." There was a third list of "Projects Recommended for Funding" from a later date that did not include some of the projects from the earlier list of projects recommended for funding and did include some of the projects from the earlier list of projects not recommended to be funded. There was no written explanation of how or why projects moved from one list to the other. During the audit period District staff provided a satisfactory explanation of how projects are selected from these lists.

Required Actions: Include an explanation of the selection process in the policies and procedures manual (see Recommendation 6 above). Maintain a file on project selection for each Year's funding and outline how the procedures were followed in selecting projects for that year.

Finding 4: Minimum contract requirements for projects funded with Year 8 funds were not included in the District's new contract.

Condition: The contract template language (between the District and engine owners) used to obligate Year 8 funds, does not include a number of the minimum requirements outlined in the 2005 Carl Moyer Program Guidelines. The specific requirements that were not included in the boilerplate contract are outlined below with the Guideline citations in parenthesis.

- Specifically stating that no work may begin until the contract is fully executed (section VIII.B.1.)
- Informing the owner that noncompliance with reporting requirements shall require on-site monitoring (section VIII.B.2.)
- Requiring itemized invoices and clarifying that payments shall be made directly to the engine owner only if the invoice has been paid and the payment is a reimbursement (section VIII.C.2.)
- A disclosure of funds statement for the owner to complete and sign. In the disclosure statement the engine owner must disclose any and all applications to fund the same project and if other funds are received the grant amount will be adjusted accordingly. (section VIII.C.3.)

- Terms to cancel contracts for noncompliance with or not meeting the obligations of the contract (section VIII.C.4.)
- A general statement of compliance with all Carl Moyer Program Guidelines and/or outline those requirements, i.e. the project shall not be required by any local, state and/or federal rule, regulation or MOU currently in effect (section VIII.D.)
- A requirement that the owner shall maintain the engine according to the manufacturer's specifications for the life of the project (section VIII.E.).

During the audit period the District agreed to make these changes to the contract language.

Required Actions: Revise the District's current boilerplate contract used to obligate the Year 8 Carl Moyer Program and match funds to include all of the minimum requirements in the 2005 Guidelines. Submit a revised copy of the boilerplate contract to the ARB. Amend the Year 8 contracts that have already been executed to include all of the minimum requirements. The District's written response should include a timeline for completing these required actions. Upon completion, the District shall provide the ARB with written notification of completion.

Finding 5: The District did not follow all of its contract requirements for Years 5 and 6 projects.

Condition: The District's boilerplate contract language for Years 5 and 6 included requirements that went over and above the approved 2003 Carl Moyer Program Guideline requirements. However, the District did not always follow these requirements. These requirements are as follows:

- The District contract requires quarterly reports during the project completion stage of the contract. The District has discussed the elimination of the quarterly reports requirement with contracted engine owners and is currently preparing an amendment to each grant agreement deleting the quarterly reporting requirement.
- The District contract requires documentation of meeting insurance requirements. Since including these insurance requirements, the District realized they were beyond what is necessary to recoup funds in the event of the loss of the engine(s) and beyond the capacity of small businesses. The insurance documents from large businesses and statements of self insurance from public agencies have been placed in the project files. For Year 8 the District reduced the insurance requirements to require insurance for just the engines and the documentation is being provided.

- The District contract requires documentation of the disposition of the old engine. Several files did not include this documentation.

Required Actions: The District should consult with their legal counsel on whether or not the contracts must be amended to reduce the insurance requirements to accommodate small businesses. The District shall submit a copy of that legal opinion to the ARB along with the District's plan to implement their counsel's recommendation. The District should maintain documentation of the disposition of the old engine(s) in the District's hard copy file for each project.

ATTACHMENT 1

Ventura County Air Pollution Control District
2006 Carl Moyer Program Audit
List of Projects Reviewed

Contract Number	Project Name	Source Category	File Review	Site Visit
Year 5				
VCBUG-03-03	Southland Sod	On-Road	X	X
VCCMP-03-08	Southland Sod	On-Road	X	X
VCCNGIP-01-01*	Ventura Unified	Infrastructure	X	X
VCCMP-04-06	Cal-Fran Engineering	Off-Road	X	X
VCCMP-04-07	Cal-Fran Engineering	Off-Road	X	X
VCBUG-03-01	Vanguard	Marine	X	X
VCCMP-04-02	Barbara H	Marine	X	X
VCCMP-04-05	Sinbad	Marine	X	X
VCCMP-03-10	J.D. McGrath	Ag Pump	X	X
VCCMP-04-10	Rocking T Ranch	Ag Pump	X	X
Year 6				
VCCMP-06-04-08	Engineering Camarillo	Off-Road	X	X
VCCMP-06-04-04	Triton	Marine	X	X
VCCMP-06-04-06	Spector	Marine	X	X
VCCMP-06-04-07	Outer Banks	Marine	X	X
VCCMP-06-04-03	J. H. Gill Ranch Inc.	Ag Pump	X	X
VCCMP-02-01**	Harrison Industries	Infrastructure	X	X
VCCMP-06-04-02	Nauman Ranch	Ag Pump	X	
Years 5 & 6 Earned Interest				
VCCMP-08-05-01**	Harrison Industries	On-Road	X	
Year 8				
VCCMP-08-06-06	Reveille	Marine	X	
VCCMP-08-06-01	Harrison Industries	On-Road	X	

*School Bus Program-funded

**Ineligible Projects