The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds

July 31, 2024 | Report No. 24-E-0050

OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

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Abbreviations

EPA	U.S. Environmental Protection Agency
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General

Key Definitions

Clean School Bus	A school bus that the EPA has certified as reducing emissions, that is operated entirely or in part using an alternative fuel, or that is a zero-emission school bus. Alternative fuel is liquefied natural gas, compressed natural gas, hydrogen, propane, or biofuels. The Clean School Bus Program funds propane and natural gas school buses.
Clean School Bus Program	An Infrastructure Investment and Jobs Act program through which the EPA awards grants and rebates to eligible recipients to replace existing school buses with zero-emission school buses and clean school buses.
Internal Control	An internal control is a process used by management to help an organization achieve its objectives. Internal controls include plans, methods, policies, and procedures used to fulfill the organization's mission, strategic plan, goals, and objectives.
Zero-Emission School Bus	A school bus that the EPA has certified as producing zero exhaust emission of any air pollutant or any greenhouse gas. A zero-emission bus is an electric bus that uses electricity to power a battery to run.

Cover Image

School buses. (EPA image)

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24-E-0050
July 31, 2024

At a Glance

The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds

Why We Did This Evaluation

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this evaluation to determine whether the EPA followed requirements when selecting recipients for the Infrastructure Investment and Jobs Act's Clean School Bus Program funds. The Act provides $5 billion for the EPA to issue grants and rebates for the purchase of clean or zero-emission school buses, which are operated using either an alternative fuel or electricity.

Pursuant to the Act, an executive order, and EPA guidance, the EPA must select Clean School Bus Program award recipients based on seven requirements. For example, recipients must have existing operational school buses and must use the replacement buses to provide a school district with bus service for at least five years. The EPA must also select recipients in a manner that achieves the president's Justice40 goal to distribute 40 percent of the overall benefits of federal investments to disadvantaged communities.

To support this EPA mission-related effort:

- *Improving air quality.*

To address this top EPA management challenge:

- *Managing grants, contracts, and data systems.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG.PublicAffairs@epa.gov.

List of OIG reports.

What We Found

While the EPA followed six of the seven requirements to select recipients of Clean School Bus Program funds, the Agency did not have sufficient internal controls in place to ensure that it selected recipients with eligible school buses. Internal controls include plans, methods, policies, and procedures that help an organization achieve its objectives. The EPA did not require sufficient documentation to demonstrate that recipients' existing school buses met the fuel, weight, and operational status requirements or that the replacement buses would provide a school district with bus service for at least five years. By requiring and then verifying such documentation before awarding Clean School Bus Program funds, the Agency would mitigate the potential for fraud, waste, and abuse.

Additionally, the EPA did not provide oversight to verify that applicants requesting funds specifically for zero-emission school buses have school districts with suitable local conditions for these types of buses. The EPA did not require these applicants to conduct a suitability analysis or submit one as part of their applications. Without such information, the EPA cannot provide assurance that the zero-emission school buses funded by the Clean School Bus Program would suitably and effectively operate in the recipient school districts.

If the EPA does not follow all requirements for selecting recipients of the Clean School Bus Program funds, there is an increased risk of potential fraud, waste, and abuse. Taxpayer dollars could also be wasted if the Agency does not establish procedures to verify that zero-emission school bus replacements are suitable for the applicant's school district.

Recommendations and Planned Agency Corrective Actions

We made four recommendations to the assistant administrator for Air and Radiation to issue guidance to Clean School Bus Program applicants on the types of documentation needed to support that their existing school buses are eligible for replacement and that replacement school buses will provide a school district with bus service for five years; require Clean School Bus Program applicants to submit sufficient documentation to support their applications; update the standard operating procedures and trainings to address verifying the eligibility of applicants and their school buses; and establish procedures to verify that any requested zero-emission school bus replacements are suitable for the applicant's school district.

The Agency agreed with Recommendations 1, 2, and 3 but disagreed with Recommendation 4. Recommendation 1 is resolved with corrective action pending. Recommendations 2 and 3 are unresolved because the planned or completed corrective actions do not fully meet the intent of the recommendations. Recommendation 4 is also unresolved, and resolution efforts are underway on Recommendations 2, 3, and 4.

OFFICE OF INSPECTOR GENERAL
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MEMORANDUM

SUBJECT: The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds
Report No. 24-E-0050

FROM: Sean W. O'Donnell, Inspector General

TO: Joseph Goffman, Assistant Administrator
Office of Air and Radiation

This is our report on the subject evaluation conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this evaluation was OSRE-FY23-0099. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Air and Radiation is responsible for the issues discussed in this report.

In accordance with EPA Manual 2750, your office provided an acceptable planned corrective action and estimated milestone date for Recommendation 1. This recommendation is resolved with the corrective action pending. A final response pertaining to this recommendation is not required; however, if you submit a response, it will be posted on the OIG's website along with our memorandum commenting on your response.

Action Required

Recommendations 2, 3, and 4 are unresolved. EPA Manual 2750 requires that recommendations be resolved promptly. Therefore, we request that the EPA provide us within 60 days its responses concerning specific actions in process or alternative corrective actions proposed on the recommendations. Your response will be posted on the OIG's website along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epaoig.gov.

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Purpose

The U.S. Environmental Protection Agency Office of Inspector General initiated this evaluation to determine whether the EPA followed requirements when selecting recipients for the Infrastructure Investment and Jobs Act's, or IIJA's, Clean School Bus Program funds.

Top Management Challenge Addressed

This evaluation addresses the following top management challenge for the Agency, as identified in the OIG's *U.S. Environmental Protection Agency Fiscal Year 2024 Top Management Challenges* report, issued November 15, 2023:

- Managing grants, contracts, and data systems.

Background

The National Transportation Safety Board estimates that there are nearly 500,000 school buses in operation in the United States. According to the EPA, U.S. school buses travel more than 4 billion miles each year, providing daily transportation to and from school for more than 25 million children. The diesel exhaust emissions from those buses contain pollutants, such as nitrogen oxides and particulate matter. These emissions can contribute to poor air quality and can negatively impact human health. Studies indicate that children who commute to school on diesel-fueled buses are exposed to harmful emissions,[1] increasing their risk of asthma and other respiratory illnesses because children have a faster breathing rate than adults and their lungs are not yet fully developed. Other studies demonstrate that adopting clean school bus technologies is associated with lower absenteeism.[2] A 2024 study concluded that electric school bus adoption would lead to reduced exposure to ambient air pollution as well as reduced greenhouse gas emissions.[3] According to the EPA, bus drivers and other school staff members are also exposed to diesel exhaust inside and near older school buses.

Types of Air Pollutants Emitted by Diesel School Buses

Vehicles that use diesel fuel create harmful byproducts, such as nitrogen dioxide, carbon monoxide, particulate matter, and formaldehyde. In addition, these vehicles emit carbon dioxide, methane, and nitrous oxide, which are greenhouse gases that trap heat in the atmosphere. According to the United Nations' Intergovernmental Panel on Climate Change, "human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming."

[1] Adar. S. D. et al., "Predicting airborne particle levels aboard Washington State school buses," *Atmospheric Environment* 42, no. 33 (2008): 7590–7599; Sabin, L. D. et al., "Characterizing the range of children's air pollutant exposure during school bus commutes," *Journal of Exposure Analysis and Environmental Epidemiology* 15, no. 5 (2005): 377–387; and Sabin, L. D. et al., "Analysis of real-time variables affecting children's exposure to diesel-related pollutants during school bus commutes in Los Angeles," *Atmospheric Environment* 39, no. 29 (2005): 5243–5254.
[2] Pedde, M. et al., "Randomized design evidence of the attendance benefits of the EPA School Bus Rebate Program," *Nature Sustainability* 6 (2023): 838-844; Adar, S. D. et al., "Adopting clean fuels and technologies on school buses," *American Journal of Respiratory and Critical Care Medicine* 191, no. 12 (2015): 1413-1421.
[3] Chroma, E. F. et al., "Adopting electric school buses in the United States: health and climate benefits," *Proceedings of the National Academy of Sciences* 121, no. 22 (2024): 1-12.

Establishment of the EPA Clean School Bus Program Under the IIJA

On November 15, 2021, the president signed the IIJA into law. The IIJA required the EPA to establish the Clean School Bus Program to award grants and rebates to eligible recipients to replace their existing school buses with either clean school buses or zero-emission school buses. A ***clean school bus*** is one that the EPA has certified as reducing emissions and that is operated entirely or in part using an alternative fuel, such as natural gas or propane, or electricity. A ***zero-emission school bus*** is a type of clean school bus that the EPA has certified as producing no exhaust emissions of any air pollutants, including greenhouse gases, by using electricity to power a battery to run the bus.

In the IIJA, Congress provided the EPA with a total of $5 billion—$1 billion annually from fiscal year 2022 through fiscal year 2026—for the Clean School Bus Program. The IIJA authorizes the EPA to award eligible recipients with up to 100 percent of the costs to replace qualifying existing school buses with clean school buses or zero-emission school buses. The awards can also cover charging or fueling infrastructure. The IIJA stipulates that 50 percent of each year's funding must specifically be awarded for zero-emission school buses, while the other 50 percent is for clean school buses generally. As of February 2024, the EPA has executed three grant or rebate competitions under the Clean School Bus Program to award these IIJA funds: a 2022 rebate competition, a 2023 grant competition, and a 2023 rebate competition.

Eligibility Requirements for Clean School Bus Funds

The IIJA listed five specific entities that are eligible to apply for clean school bus funds: local or state governments; eligible contractors; school transportation associations; charter schools; and tribes. We describe these eligible entities in Appendix A.

The EPA also published eligibility requirements for the existing buses that applicants intend to replace. The Agency outlined these requirements in its program guidance, specifically in its *2022 Clean School Bus (CSB) Rebates Program Guide* and *2023 Clean School Bus Rebates Program Guide* and in its 2023 Notice of Funding Opportunity. The existing buses to be replaced must be vehicle model year 2010 or older diesel-powered school buses that will be scrapped if selected for funding; have a Gross Vehicle Weight Rating of 10,001 pounds or more; and be operational at the time of application submission.[4] The existing buses must have also provided bus service to a public school district for at least three days per week on average during the 2021–2022 school year for the 2022 rebate competition or the 2022–2023 school year for the 2023 grant and rebate competitions.[5]

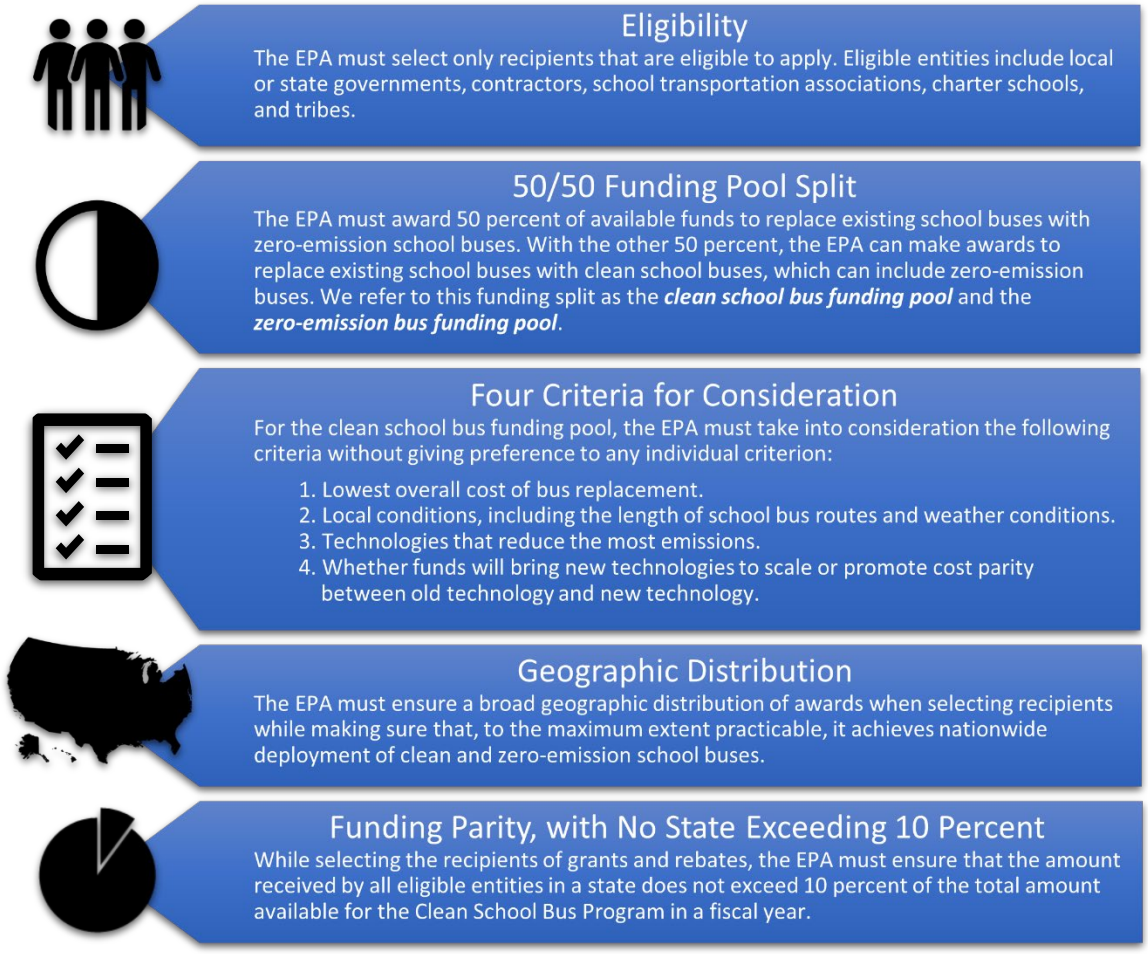
[4] If an applicant has no eligible 2010 or older diesel-powered school buses and is requesting zero-emission school bus replacements, the applicant could, for the 2022 rebate competition, either (1) scrap 2010 or older non-diesel internal combustion engine buses or (2) scrap, sell, or donate 2011 or newer internal combustion engine buses. For the 2023 rebate and grant competitions, the applicant could either (1) scrap 2010 or older non-diesel internal combustion engine buses or (2) scrap, sell, or donate 2011 or newer diesel or non-diesel internal combustion engine buses.
[5] Excluding Coronavirus Disease-19 pandemic-related school closures for the 2022 rebate competition, pandemic- or disaster-related school closures for the 2023 grant competition, and emergency-related school closures for the 2023 rebate competition.

Similarly, the IIJA outlines eligibility requirements for the replacement school buses that applicants intend to acquire. The replacement buses must be operated as part of the school bus fleet for which the award was made for at least five years; be maintained, operated, and charged or fueled according to manufacturer recommendations or state requirements; and not be manufactured or retrofitted with, or otherwise have installed, a power unit or other technology that creates air pollution within the school bus, such as an unvented diesel passenger heater.[6] The replacement buses must also meet other EPA requirements, which we detail in Appendix A, including being a zero-emission, propane, or natural-gas school bus of certain model years with a Gross Vehicle Weight Rating of 10,001 pounds or more.

Selection Requirements for Clean School Bus Fund Recipients

The IIJA sets forth five requirements for the EPA to consider when selecting recipients of the Clean School Bus Program funds, as shown in Figure 1.

Figure 1: IIJA requirements when selecting recipients of the Clean School Bus Program funds



Source: OIG summary of IIJA selection requirements. (EPA OIG image)

[6] If the award is to an eligible contractor and the contract with the local educational agency ends before the five-year period is over, those school buses may be operated by another local educational agency eligible for prioritization within the same state as the original educational agency, consistent with 42 U.S.C. § 16091(b)(5)(A).

In addition to meeting the five IIJA requirements outlined above, the EPA must work to achieve the president's Justice40 goal. Established by Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad,* on January 27, 2021, the Justice40 initiative establishes a goal that 40 percent of the overall benefits of certain federal investments, such as clean energy and clean transit investments, flow to disadvantaged communities. The EPA listed the Clean School Bus Program as an EPA program covered under the Justice40 initiative and has, therefore, committed to ensuring that 40 percent of these IIJA funds reach disadvantaged communities. This commitment represents the EPA's sixth selection requirement for recipients of Clean School Bus Program funds. The EPA identified the following communities as disadvantaged for the purposes of the Clean School Bus Program:[7]

- High-need school districts and low-income areas.
- Rural school districts.
- Tribal school districts that are funded by the Bureau of Indian Affairs or that receive basic support payments under 20 U.S.C. § 7703(b)(1) for children residing on Indian land.

To implement this sixth selection requirement, the EPA prioritized awarding funds to applicants that serve these disadvantaged communities, which we hereafter refer to in this report as ***prioritized school districts***. We provide the EPA's definitions of these prioritized school districts in Appendix B.

And finally, as the seventh selection requirement, the EPA's program guidance mandates that the Agency select only those Clean School Bus Program applicants whose existing and replacement buses meet the eligibility requirements outlined in the previous section.

Initial Implementation of the Clean School Bus Program in 2022

The EPA began implementing the Clean School Bus Program in 2022 by conducting program outreach and accepting applications for a national rebate competition from May 20 through August 19, 2022, with a total award potential of $500 million. Unlike a grant, rebate recipients are selected through a lottery process instead of evaluated based on scoring criteria. The application process for rebates is intended to be quick and simple, while the application for grants is longer and more detailed. According to the EPA, rebates are not subject to federal competitive procurement requirements found in 2 C.F.R. part 200. Replacement buses must, however, still be purchased in compliance with applicable state, tribal, or local procurement laws. According to the EPA, the Agency then sends the rebate to a selected recipient after it submits a purchase order to the Agency.

In August 2022, the EPA received about 2,000 rebate applications requesting approximately $4 billion to replace more than 12,000 existing school buses with clean school buses, including zero-emission school buses. The large response prompted the Agency to almost double the funding level available for rebates to $965 million. The EPA selected which applications received funding via a lottery, first by randomly

[7] These communities are listed in the IIJA for the purposes of prioritizing school districts and were not specific to the Justice40 initiative.

assigning each application a rank and then by undertaking a six-step selection process, as shown in the figure in Appendix C. The EPA worked from the highest-ranked application to the lowest-ranked application until it allocated the available $965 million in funds from the clean school bus and the zero-emission bus funding pools, as defined in Figure 1. The EPA did not distribute partial awards. The EPA awarded a final total of approximately $886 million to 376 recipients to replace 2,394 school buses, 94.9 percent of which will be replaced by zero-emission school buses.[8]

2023 Implementation of the Clean School Bus Program

In 2023, the EPA implemented the Clean School Bus Program by running both a grant competition and a rebate competition. The Agency accepted applications for the 2023 grant competition from April 24 through August 22, 2023, and anticipated awarding approximately $400 million. The grant competition included two subprograms, one for school district and tribal applicants and one for third-party applicants, such as contractors, that will serve at least four school district beneficiaries. On January 8, 2024, the EPA announced that it selected 67 applicants to receive nearly $1 billion to purchase more than 2,700 school buses in 280 school districts that serve over 7 million students across 37 states.[9] More than 97 percent of the replacement buses will be zero-emission school buses.

The Agency accepted applications for the 2023 rebate competition from September 28, 2023, through February 14, 2024, and planned to award to at least $500 million. The 2023 rebate competition was similar to the 2022 rebate competition except that it did not give precedence to zero-emission school bus replacements or prioritized school districts. On May 31, 2024, the EPA announced that it selected approximately 530 applicants to receive nearly $900 million to purchase over 3,400 school buses, 92 percent of which will be zero-emission school buses. The selectees are in nearly every state and Washington, DC, as well as in several federally recognized tribes and U.S. territories.

Responsible Offices

The Office of Transportation and Air Quality, within the EPA's Office of Air and Radiation, is responsible for implementing the IIJA's Clean School Bus Program. Implementation of the program includes making awards in the form of rebates or grants to eligible recipients and developing an education-and-outreach program to promote and explain the Clean School Bus Program. The education-and-outreach program includes providing guidance to potential award recipients on applying for awards and fulfilling award requirements; describing the available clean school bus technologies and the benefits of using such

[8] The EPA did not fully allocate the available $965 million due to an inability to fully fund the remaining eligible recipients in the selection process described in Appendix C. While the EPA stated in its *EPA Clean School Bus Program, Second Report to Congress, Fiscal Year 2022,* dated February 2023, that it awarded $951 million in rebates to 415 recipients as a result of the 2022 rebate competition, the number of recipients decreased to 376 by November 3, 2023, after 39 recipients withdrew. According to an EPA employee, the withdrawn funds would be available for awards during future funding competitions.

[9] The EPA selected those 67 applicants after it received 188 applications, 124 of which the Agency determined met all program requirements and were thus eligible for funding. Among the 67 selectees, the awarded funds will replace existing school buses with 2,675 zero-emission buses, 62 propane buses, and zero natural gas buses.

technologies; and providing best practices, lessons learned, and technical and other information on clean and zero-emission school bus acquisition and deployment. The EPA's obligated budget for implementing the Clean School Bus Program in fiscal years 2022 and 2023 was $6.3 million and $15.5 million, respectively. As of December 26, 2023, the fiscal year 2024 obligated budget was $3.1 million.

Scope and Methodology

We conducted this evaluation from September 2023 to May 2024 in accordance with the *Quality Standards for Inspection and Evaluation* published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we perform the evaluation to obtain sufficient and appropriate evidence to support our findings.

To identify requirements that the EPA must follow and the Justice40 goal that the EPA committed to achieving when selecting recipients of the Clean School Bus Program funds, we reviewed the IIJA provisions for the Clean School Bus Program as codified in 42 U.S.C. § 16091; the Justice40 initiative outlined in Executive Order 14008; and subsequent guidance issued by the Office of Management and Budget. We also reviewed the 2022 and 2023 Clean School Bus rebates program guides and the 2023 Notice of Funding Opportunity for the grant competition. We met with Office of Transportation and Air Quality and Office of General Counsel personnel to confirm these requirements.

To determine whether the EPA followed the requirement to select eligible recipients that planned to replace qualifying existing school buses with eligible new ones, we reviewed the application files of five selected recipients from the 2022 rebate competition. These five recipients represent diverse school district locations and types, such as urban, rural, and tribal school districts, as well as various sizes of rebate awards. We also assessed the sufficiency of the EPA's internal controls for selecting the recipients by reviewing the 2022 and 2023 rebate application user guides, the 2023 Notice of Funding Opportunity for the 2023 grant competition, the Agency's internal lottery and selection process document for the 2022 rebate competition, the Agency's internal 2022 rebate application review standard operating procedure, and the EPA's recorded internal training on that standard operating procedure. We did not assess whether any of the other 2022 rebate recipients were eligible or whether their existing school buses qualified for replacement.

To determine whether the EPA followed the remaining IIJA selection requirements and met its commitment to ensuring that 40 percent of the available funds reached disadvantaged communities, we reviewed the EPA's list of the 2022 rebate recipients as of November 3, 2023. Our assessment included the amount awarded, the funding pool from which the award came, the state where the school district is located, whether the school district had been prioritized and therefore deemed as disadvantaged, and the type of new school buses that the recipient sought to purchase with the awarded funds. We also reviewed the EPA's first and second report on the Clean School Bus Program to Congress. We did not review the data for the list of the 2023 rebate and grant recipients because the recipients had not been announced when we began drafting this report in December 2023.

To determine whether the EPA appropriately considered the required four criteria to make awards from the clean school bus funding pool, we interviewed EPA personnel and reviewed an Agency internal document. This document detailed the programmatic decisions and the funding levels for the different types of replacement school buses that resulted from the EPA's assessment of the "Four Criteria for Consideration" detailed in Figure 1.

Prior Reports

The OIG has issued two relevant reports since the EPA began implementing the IIJA Clean School Bus Program:

- *Management Implication Report: Preventing Fraud, Waste, and Abuse within the EPA's Clean School Bus Program,* Report No. 24-N-0013, issued December 27, 2023. In February 2023, the OIG Office of Investigations proactively opened an investigation into the Clean School Bus Program's protocol and awards. While the investigation was still ongoing when the report was released, the initial findings showed that the program is potentially relying on inaccurate information from applicants. The investigation also identified that some entities lacking student enrollments applied for and received funding. The report stated that the Agency's lack of clear and established verification protocols for the application process allows applicants to self-certify their eligibility. To augment the EPA's oversight and administration of the program, the Office of Investigations proposed that the Agency require applicants to provide ample documentation to validate their assertions and certifications, as well as to ensure transparency and precision in applications; establish a robust validation process that corroborates the accuracy of submitted applications; and increase oversight of third-party applicants.
- *The EPA Clean School Bus Program Could Be Impacted by Utility Delays,* Report No. 24-P-0012, issued December 27, 2023. While the OIG did not find indications of significant supply chain issues or production delays that impacted the EPA's distribution of the 2022 rebates, the OIG did find that the EPA may be unable to effectively manage and achieve the Clean School Bus Program's mission unless utility companies can meet increasing power supply demands for zero-emission school buses. The report stated that the EPA needs to ensure that utilities have constructed and connected charging stations in a timely manner so that zero-emission buses purchased through the 2022 rebate competition are functional. The OIG did not make any recommendations in the report.

Results

For the 2022 rebate competition, the EPA followed six of the seven IIJA, executive order, and EPA program guide requirements when selecting recipients for the IIJA Clean School Bus Program funds. The EPA selected eligible recipients, appropriately awarded funds from the clean school bus and zero-emission bus funding pools, considered the four criteria when establishing overall programmatic decisions, made a broad geographic distribution of awards, ensured that the amount received by all eligible recipients in a state did not exceed 10 percent of the amounts made available in a fiscal year,

and exceeded the Justice40 goal of distributing at least 40 percent of funds to disadvantaged communities. The EPA did not, however, require sufficient documentation to ensure that it selected recipients with replacement buses that would provide a school district with bus service for five years.[10] Table 1 shows the EPA's compliance with the seven selection requirements.

Table 1: EPA compliance with selection requirements

Requirement summary	Source	Did the EPA meet the requirement?
Select eligible recipients.	IIJA	✓ Yes
Award half of funds for zero-emission buses and half for clean school buses using each respective funding pool.	IIJA	✓ Yes
For the clean school bus funding pool, consider the following four criteria without giving preference to any individual criterion: • Lowest overall cost of bus replacement. • Local conditions. • Technologies that reduce the most emissions. • Cost parity with regard to technology.	IIJA	✓ Yes
Ensure that there is a broad geographic distribution of awards.	IIJA	✓ Yes
Ensure that no one state receives more than 10 percent of available funds in a fiscal year.	IIJA	✓ Yes
Meet Justice40 Goal.	Justice40	✓ Yes
Ensure that recipients' existing and replacement buses meet eligibility requirements.	IIJA and EPA program guidance	⃠ No

Source: EPA OIG analysis. (EPA OIG table)

The EPA did not meet the requirement to ensure the eligibility of the existing and replacement buses because it did not have sufficient internal controls. Specifically, the EPA did not require applicants to provide documentation to demonstrate the eligibility of their existing or replacement school buses. The Agency, therefore, cannot at this time provide assurance that all the 2,394 clean and zero-emission school buses to be put into service as a result of the 2022 rebate competition will fully satisfy Clean School Bus Program requirements. Further, the EPA did not correct this deficiency when it launched its 2023 grant and rebate competitions. If the EPA does not fully follow selection requirements and verify that replacement buses will operate as intended, the potential for fraud, waste, and abuse increases. Additionally, the EPA did not provide oversight to ensure that selected recipients have school districts with the characteristics that are optimal for zero-emission school buses, such as a smaller geographic footprint and milder climate. The EPA, however, referred potential applicants to its federal partners, the Joint Office of Energy and Transportation and the National Renewable Energy Laboratory, for technical assistance.

[10] This deficiency was noted in EPA OIG Report No. 24-N-0013, *Management Implication Report: Preventing Fraud, Waste, and Abuse within the EPA's Clean School Bus Program*, issued December 27, 2023.

✓ *The EPA Met the Requirement to Select Eligible Recipients*

Based on our review of five 2022 rebate awards, the EPA met the IIJA requirement to select eligible recipients. They consisted of three contractors, one Indian tribe, and one school district. The EPA's internal controls for the 2022 rebate competition included training the EPA staff who reviewed the applications and verifying recipient eligibility using a standard operating procedure with step-by-step guidance.

✓ *The EPA Met the Requirement to Award Funds Appropriately from the Clean School Bus and Zero-Emission Bus Funding Pools*

Generally, the EPA met the IIJA requirement to award 50 percent of the available Clean School Bus Program funds for clean school bus replacements, with the other 50 percent being awarded specifically for zero-emission school bus replacements. According to the EPA, of the total $965 million awarded during the initial selection process for the 2022 rebate competition, the Agency awarded an almost equal 50-percent split between the clean school bus funding pool and the zero-emission bus funding pool. As recipients withdraw or adjust their bus and infrastructure selections, thereby returning unused funds to the EPA, the percentage of funds awarded from each funding pool may fluctuate. For example, by November 3, 2023, after 39 of the 415 recipients withdrew, lowering the total awarded to nearly $886.5 million, the amount awarded from the clean school bus funding pool was 49.8 percent, while the amount awarded from the zero-emission bus funding pool was 50.2 percent. The EPA expects to use any returned funds in future funding rounds and will allocate those funds based on the funding pool assigned during initial selection. For example, funds originally awarded to a project from the clean school bus funding pool would be re-awarded to a project eligible for funding from the clean school bus funding pool.

Because a zero-emission bus is a type of clean school bus and can be purchased with funds from the clean school bus funding pool, zero-emission school buses were the predominant type of replacement buses that recipients ultimately planned to purchase. Although just 50 percent of the Clean School Bus Program funds are intended specifically for zero-emission school bus replacements, zero-emission school buses made up 94.9 percent of the 2,394 replacement buses to be funded as a result of the 2022 rebate competition.

✓ *The EPA Met the Requirement to Consider the Four Criteria to Make Programmatic Decisions Regarding the Clean School Bus Funding Pool*

The EPA met the IIJA requirement regarding the "Four Criteria for Consideration" listed in Figure 1 by considering these four criteria when it designed the Clean School Bus Program. The EPA did so by weighing the four criteria to make the decision to not fund electric retrofits or fueling infrastructure for alternative fuel buses. In addition, the EPA established the types of alternative fuel or clean school buses that the Agency would fund, the relative funding levels for zero-emission or clean school buses, the recipient selection process, the types of existing school buses that would be eligible for replacement, the model year limits for both the existing bus and the replacement bus, and the funding level for charging infrastructure per zero-emission bus.

We note that one reading of the IIJA is that consideration of the four criteria applies to the review of individual applications and not to the program as a whole. The EPA, however, decided to consider the four criteria when designing the program. This means that the EPA did not consider the lowest overall cost of bus replacement, local conditions, technologies that reduce the most emissions, or cost parity with regard to technology for each application.[11] Additionally, while the IIJA states that the EPA "shall not give preference to any individual criterion," the EPA interpreted the statute to mean that the Agency could give preference to two or more criteria, and the EPA did so, as described in Appendix C.[12]

✓ The EPA Met the Requirement to Make a Broad Geographic Distribution of Awards

The EPA met the IIJA requirement to ensure a broad geographic distribution of awards. For the 2022 rebate competition, there were applicants from all 50 states; Washington, D.C.; federally recognized tribes; Puerto Rico; the U.S. Virgin Islands; Guam; and American Samoa. The EPA selected at least one recipient from each state and Washington, D.C., as well as at least one recipient from each territory. The EPA also selected recipients in 28 tribal school districts. However, all selected recipients from Wyoming withdrew their applications.

✓ The EPA Met the Requirement to Award Funds so that the Amount Received by All Eligible Recipients in a State Did Not Exceed 10 Percent of the Amounts Made Available in a Fiscal Year

The EPA met the IIJA requirement to ensure that the amount received by all eligible recipients in a state did not exceed 10 percent of the amounts made available in a fiscal year. In the 2022 rebate competition, California received the most funds of all states, with a total of $66.3 million. That amount is 7.5 percent of the approximately $886.5 million awarded in the 2022 rebate competition.

✓ The EPA Achieved the Justice40 Goal

The EPA achieved the Justice40 goal of ensuring that 40 percent of available funds flowed to disadvantaged communities. In the 2022 rebate competition, 374 of the 376 recipients were prioritized school districts, as defined in Appendix B, and received $880.7 million, or 99.3 percent, of the approximately $886.5 million awarded.

⃠ The EPA's Internal Controls Were Not Sufficient to Ensure that Recipients with Eligible Existing and Replacement School Buses Were Selected

The EPA's internal controls over the Clean School Bus Program were not sufficient to verify that the Agency awarded funds only to applicants whose existing school buses were eligible for replacement or

[11] The fourth criterion that the IIJA requires the EPA to consider is "whether the funds will bring new technologies to scale or promote cost parity between old technology and new technology." Cost parity would be achieved when the bus prices are similar, regardless of fuel type.

[12] Because the statutory text at issue is susceptible to multiple interpretations, the OIG concluded that the EPA's interpretation is not clearly inconsistent with text of the IIJA.

whose replacement school buses will provide a school district with bus service for five years. Internal controls include plans, methods, policies, and procedures that help an organization achieve its objectives.[13] Specifically, the EPA did not require that applicants submit sufficient documentation demonstrating school bus eligibility. Also, while the EPA's training and standard operating procedure for reviewing the 2022 rebate applications addressed *recipient* eligibility, as described above, these internal controls did not address *school bus* eligibility.

For the 2022 rebate competition, the EPA required that applicants submit the vehicle titles and registrations for the existing school buses to be replaced. Beyond that, the EPA did not require any other documentation to be submitted with the application to demonstrate school bus eligibility. As a result, the five applications that we reviewed did not contain sufficient documentation to demonstrate that the existing school buses met all EPA requirements regarding their fuel source, weight, and operational status. Also, not all applications contained documentation that the replacement school buses would provide a school district with bus service for five years.

Although the EPA provided training and a standard operating procedure for staff who reviewed the 2022 rebate recipient applications, these internal controls were insufficient in terms of school bus eligibility. First, they did not address confirming that the school district listed in each application is one that provides bus service to students. This oversight is important because the EPA's program guidance states that the replacement school buses must generally serve the school district listed on the application. Second, they did not address determining whether the existing school buses provided bus service to a public school district for at least three days per week on average during the 2021–2022 school year, excluding any school closures related to the Coronavirus Disease-19 pandemic. And third, they did not address determining that the existing school buses had a Gross Vehicle Weight Rating of at least 10,001 pounds or that the existing school buses were operational at the time of application. While the standard operating procedure required EPA reviewers to ensure that the vehicle identification numbers for the existing school buses listed in the application matched the numbers in the submitted titles, this information does not indicate whether a vehicle is operational. Also, not all states include Gross Vehicle Weight Ratings in vehicle titles.

These issues remained largely unmitigated for the 2023 rebate and grant competitions. In fact, for the 2023 rebate competition, the EPA required that applicants submit only vehicle titles for the existing school buses, not vehicle registrations. For the 2023 grant competition, the EPA did require applicants to submit additional details about the existing school buses, including model year, fuel type, and Gross Vehicle Weight Rating, but did not require copies of vehicle titles, registrations, or other supporting documentation. Instead, the EPA required 2023 grant recipients to self-certify that their existing school buses met Agency requirements as part of their programmatic reporting to the EPA regarding their progress in meeting the terms of the grant award. Self-certification alone is insufficient for determining that an applicant has met Agency requirements.

[13] U.S. Gov't Accountability Off., Standards for Internal Control in the Federal Government (2014).

The EPA needs to improve its internal controls to ensure that the selected recipients have existing and replacement school buses that are eligible per IIJA and EPA program guidance. Although the EPA program guidance notes that the Agency "will conduct random reviews" of award recipients to verify statements made on their applications and in other post-award documentation, such as payment requests and close-out forms, the EPA lacks internal controls for verifying Clean School Bus Program applications prior to awarding funds. Having effective internal controls could help prevent fraud, waste, and abuse.

The EPA Cannot Demonstrate that All School Districts Are Suitable for Zero-Emission School Buses

There is no EPA oversight to ensure that Clean School Bus Program applicants that intend to purchase zero-emission school bus replacements have school districts with suitable local conditions. Zero-emission school buses have a smaller maximum mileage range of 75 to 200 miles when compared to propane and natural gas buses' range of up to 400 miles. Factors like extreme cold or heat could further reduce the range of zero-emission school buses.

According to the EPA, two zero-emission school bus manufacturers estimate that zero-emission vehicles are capable of meeting 90 percent of school-bus-route range needs in the United States. The Agency told us that it is each applicant's responsibility to assess the types of school buses that are suitable for its school district. The EPA referred potential applicants to its federal partners, the Joint Office of Energy and Transportation and the National Renewable Energy Laboratory, for technical assistance. The EPA, however, did not require applicants seeking funding for zero-emission school bus replacements to submit a suitability analysis or attestation as part of their Clean School Bus Program applications. Because it did not have this information, the EPA cannot provide assurance that all the 2,272 zero-emission school bus replacements funded via the 2022 rebate competition will be suitably and effectively operational in the 358 recipient school districts they will serve. It would be an inefficient use of IIJA money if some of the funded zero-emission school buses do not work well in the recipients' school districts, as those funds could have otherwise been awarded to school districts with suitable conditions for zero-emission school buses.

Conclusions

The EPA met six of the seven requirements for selecting the recipients of the Clean School Bus Program funds. When the EPA does not follow all requirements, there is an increased risk that the potential for fraud, waste, and abuse exists; that the EPA will not fully achieve program intent; and that the public will perceive the competitions as unfair.

Recommendations

We recommend that the assistant administrator for Air and Radiation:

1. Issue guidance to Clean School Bus Program rebate and grant applicants on the types of documentation needed to support that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.

2. Require future Clean School Bus Program rebate and grant applicants to provide sufficient documentation to support their applications, including documentation that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.

3. Update the standard operating procedures and trainings for Clean School Bus Program application reviewers. The standard operating procedures and trainings should address confirming, before the EPA awards funds, the eligibility of applicants and their school buses, including that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.

4. Establish procedures to verify that, if an applicant is requesting Clean School Bus Program funds to replace existing school buses with zero-emission school buses, zero-emission school buses are suitable for the applicant's school district.

Agency Response and OIG Assessment

Appendix D contains the Agency's response to our draft report. The Agency also provided technical comments, which we reviewed and used to make appropriate changes to the report.

The Agency agreed with Recommendation 1 and proposed a corrective action to update program guidance that is responsive to the recommendation. Recommendation 1 is resolved with corrective action pending.

The Agency agreed with Recommendation 2 but did not propose corrective actions that fully meet the intent of the recommendation. Instead of requiring applicants to provide sufficient documentation to support their applications, the Office of Air and Radiation said that they would instruct potential applicants about what materials to maintain, such as bus logs, to demonstrate school bus eligibility in the event of an EPA audit. According to the Agency, it would be burdensome to applicants to require them to provide bus logs, and reviewing bus logs as part of the EPA's audits of recipients would yield more accurate results. While post-award audits of recipients are important, the EPA plans to conduct such audits on select recipients, not all recipients, where a pre-award review of all applications would help prevent potential fraud, waste, and abuse. Therefore, it is imperative that the Agency exercise due diligence before awarding funds to safeguard federal funds by requiring all applicants to submit sufficient documentation and by reviewing this documentation to ensure that applicants meet eligibility requirements. Without the submission and review of sufficient documentation, the EPA might award

funds to ineligible applicants. And, once awards are made, it would be difficult for the Agency to recover spent funds from recipients that are subsequently determined to not meet all eligibility requirements. Recommendation 2 is unresolved.

The Agency agreed with Recommendation 3 and stated that it had already completed the recommendation. We reviewed the Office of Air and Radiation's updated standard operating procedures for application reviewers and the corresponding recorded trainings and found them to not fully meet the intent of the recommendation. While the updated standard operating procedures and trainings required application reviewers to verify that the applicant is an eligible entity and that existing school buses meet model year and fuel type requirements, they do not require application reviewers to verify that existing school buses meet other requirements, such as the Gross Vehicle Weight Rating, or that replacement school buses for school district and tribal applicants will provide bus service for five years. Recommendation 3 is unresolved.

The Agency disagreed with Recommendation 4. The Office of Air and Radiation stated that fleet owners are best positioned to know their unique needs, including routes and terrains. The Agency has developed a webpage for technical assistance and provided resources for conducting fleet and route analyses. While we agree that applicants have a responsibility to ensure that zero-emission school buses are suitable for their school districts, the Agency has an obligation to safeguard federal funds by instituting internal controls to ensure such suitability. Recommendation 4 is unresolved.

Finally, we note that the Agency stated that it does not collect contractual agreements between third-party providers and school districts as they relate to replacement school buses being required to provide bus service for five years. The Agency should determine what documentation applicants can submit to adequately verify that their replacement buses will provide school bus service for five years. For example, the application files for third-party applicants that we reviewed contained correspondence between EPA application reviewers and school districts confirming that the third-party will serve the school district for five years or more. However, we did not see similar documentation in the application files that we reviewed for public school district and tribal applicants.

Status of Recommendations

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date
1	13	Issue guidance to Clean School Bus Program rebate and grant applicants on the types of documentation needed to support that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.	R	Assistant Administrator for Air and Radiation	11/30/24
2	13	Require future Clean School Bus Program rebate and grant applicants to provide sufficient documentation to support their applications, including documentation that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.	U	Assistant Administrator for Air and Radiation	
3	13	Update the standard operating procedures and trainings for Clean School Bus Program application reviewers. The standard operating procedures and trainings should address confirming, before the EPA awards funds, the eligibility of applicants and their school buses, including that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.	U	Assistant Administrator for Air and Radiation	
4	13	Establish procedures to verify that, if an applicant is requesting Clean School Bus Program funds to replace existing school buses with zero-emission school buses, zero-emission school buses are suitable for the applicant's school district.	U	Assistant Administrator for Air and Radiation	

* C = Corrective action completed.
R = Recommendation resolved with corrective action pending.
U = Recommendation unresolved with resolution efforts in progress

Clean School Bus Program: Eligible Recipients and Replacement School Buses

Eligible Recipients

According to the IIJA, entities that are eligible to apply for clean school bus funding include:

Local or state governments	Local or state government entities responsible for providing school bus service to one or more public school systems or the purchase, lease, license, or contract for service of school buses.
Eligible contractors	Contractors that can sell clean or zero-emission school buses; charging or fueling infrastructure; or other equipment needed to charge, fuel, or maintain clean or zero-emission school buses to individuals or entities owning a school bus or a fleet of school buses or that can arrange financing for such a sale.
School transportation associations	Nonprofit school transportation associations.
Charter schools	Charter schools responsible for the purchase, lease, or contract for service of school buses for those charter schools.
Tribes	Indian tribes, tribal organizations, or tribally controlled schools responsible for the provision of school bus service to one or more schools funded by the Bureau of Indian Affairs or for the purchase, lease, license, or contract for service of school buses.

Source: OIG summary of eligible entities from the IIJA. (EPA OIG image)

Eligible Replacement School Buses

New replacement school buses must meet the following EPA requirements:

- Have a battery-electric, compressed natural gas, or propane drivetrain. Biofuels are not eligible.
- Be an EPA-certified vehicle model year 2021 or newer for the 2022 rebate competition. Be an EPA- or California Air Resources Board-certified vehicle model year 2021 or newer for the 2023 grant competition. Be model year 2022 or newer for the 2023 rebate competition. Buses converted to a battery-electric, propane, or compressed natural gas are not eligible. The 2023 rebate competition also noted that replacement school buses must be equipped with an EPA-certified engine if they are propane or compressed-natural-gas fueled buses.

- Have a Gross Vehicle Weight Rating of 10,001 pounds or more.
- Not be ordered prior to receiving official notification of selection for EPA funding.
- Be purchased, not leased or leased-to-own.
- Serve the school district listed on the application for at least five years from the date of delivery. For the 2023 grant and rebate competitions, the EPA noted that if the award is to an eligible contractor and the contract with the school district ends before the five-year period is over, those school buses may be operated by another local educational agency eligible for prioritization within the same state as the original local educational agency if the school district listed on the application was eligible for priority consideration.
- Meet federal safety standards and be maintained, operated, insured, registered, and charged or fueled according to manufacturer recommendations and state requirements.
- Not be manufactured or retrofitted with, or otherwise have installed, a power unit or other technology that creates air pollution within the school bus, such as an unvented diesel passenger heater.
- Not be purchased or otherwise subsidized with other federal funds. The total of Clean School Bus Program rebate funds and other eligible external funds allocated for the bus replacements cannot exceed the cost of the new buses.
- Upon request, be made available for inspection by the EPA or its authorized representatives for five years from the date of delivery.

Appendix B

EPA Definitions for High-Need School Districts, Low-Income Areas, and Rural School Districts

For the 2022 rebate competition, the EPA defined:

- High-need school districts and low-income areas as being limited to:
    - School districts listed in the Small Area Income and Poverty Estimates School District Estimates for 2020 as having 20 percent or more students living in poverty.[14]
    - School districts not listed in the Small Area Income and Poverty Estimates, including most charter schools, that self-certify as having 20 percent or more students from families with income below the poverty line.
    - School districts in Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
- Rural school districts as being limited to National Center for Education Statistics locale codes "43-Rural Remote" and "42-Rural Distant."

For the 2023 grant and rebate competitions, the EPA defined:

- High-need school districts and low-income areas as being limited to:
    - School districts listed in the Small Area Income and Poverty Estimates School District Estimates for 2020 as having 20 percent or more students living in poverty.
    - Title I-funded school districts and charter school districts not listed in the Small Area Income and Poverty Estimates dataset. These school districts need to self-certify as having 20 percent or more students living in poverty pursuant to the federal poverty threshold. Title I, Part A of the Elementary and Secondary Education Act, as amended by the Every Student Succeeds Act, "provides financial assistance to local educational agencies … and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging academic standards."
    - School districts in Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
- Rural school districts as being limited to National Center for Education Statistics locale code "43-Rural Remote."

[14] The U.S. Census Bureau's Small Area Income and Poverty Estimates Program provides annual estimates of income and poverty for all U.S. states and counties, as well as estimates of school-age children in poverty for all 13,000+ school districts.

Appendix C

Clean School Bus Program Selection Process for the 2022 Rebate Competition

The EPA made nine programmatic decisions for its fiscal year 2022 rebate competition. The EPA made some of those decisions by giving added preference to two or more of the four criteria that the IIJA required the Agency to consider: the lowest overall cost of bus replacement, local conditions, technologies that reduce the most emissions, and cost parity.

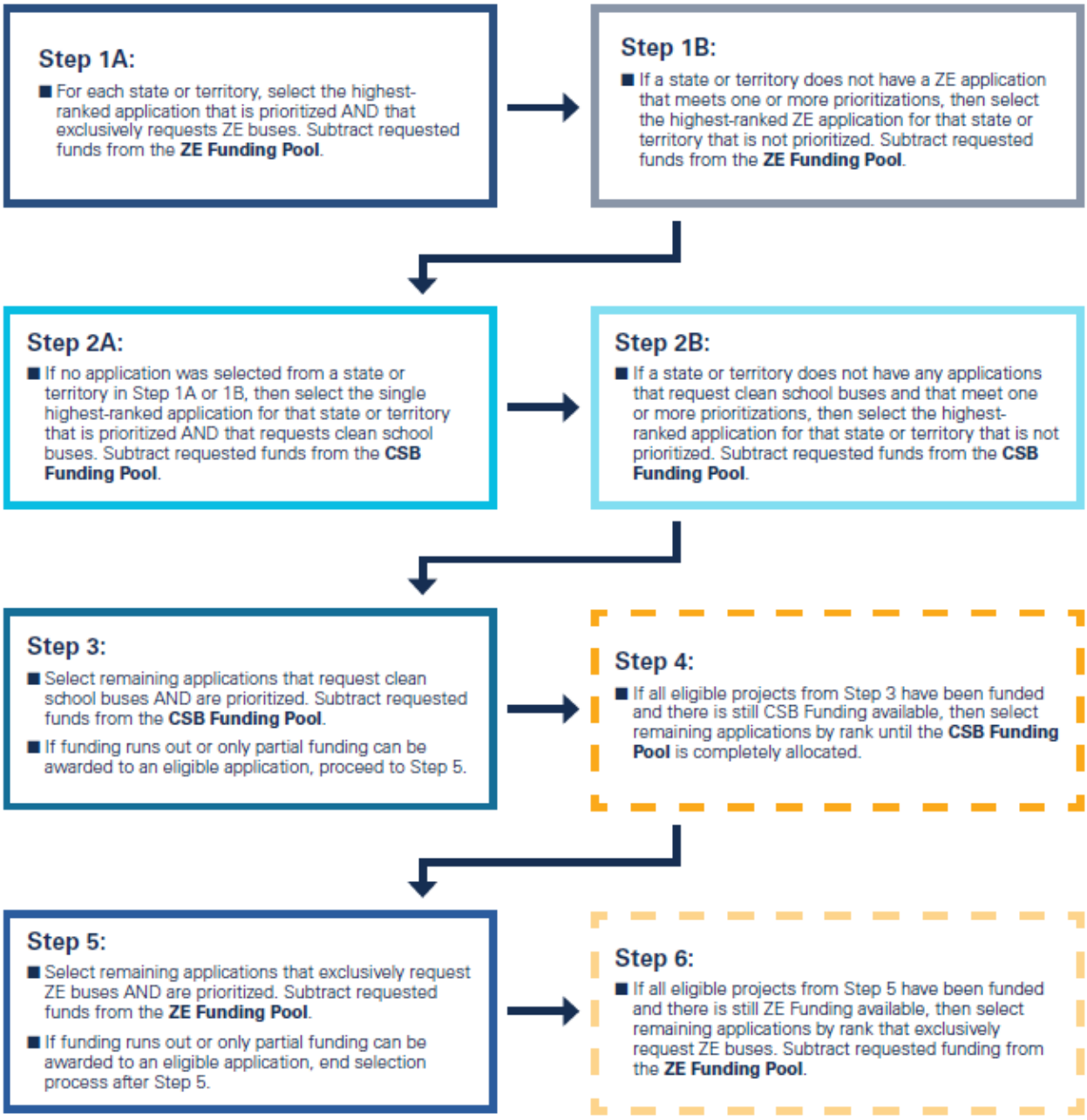
Table C-1: The EPA's nine programmatic decisions for the Clean School Bus Program's 2022 rebate competition

No.	Programmatic decision	EPA explanation
1	The EPA will not fund electric retrofits.	Funding retrofits would reduce the funding available for new zero-emission school buses, which could slow the transition to new zero-emission school buses. The EPA made this decision after considering the technologies that most reduce emissions and whether the funds will bring new technologies to scale or promote cost parity between old technology and new technology.
2	The EPA will not fund biodiesel, renewable diesel, or ethanol-blend replacement school buses.	When compared to other alternative fuels, these types of buses have the potential for increased tailpipe emissions of pollutants, such as nitrogen oxides. The IIJA defines alternative fuel to mean liquefied natural gas, compressed natural gas, hydrogen, propane, or biofuels. Among the alternative fuels, the Clean School Bus Program funds propane and natural gas school buses. The EPA made this decision by giving preference to the criteria of technologies that most reduce emissions and whether funds will bring new technologies to scale or promote cost parity between old technology and new technology. According to the U.S. Department of Energy, propane school buses can provide the convenience of on-site fueling and emit less air pollution than conventional gasoline and diesel school buses. Compressed natural gas school buses emit less greenhouse gas emissions than conventional gasoline and diesel buses. Additional advantages of natural gas as a transportation fuel are its domestic availability and widespread distribution infrastructure. In its *2022 Clean School Bus (CSB) Rebates Program Guide*, the EPA stated that it would not include biofuels, hydrogen, or liquefied natural gas as an eligible replacement technology since no such buses exist in the marketplace. According to the EPA, "There are no unique biofuels engines or buses at this time. All diesel buses can run on a mix of regular diesel and biodiesel, making it very difficult to ensure that biofuel blends of a certain percentage are used exclusively in the vehicle from the start, much less over the vehicle's lifetime. A vehicle which operates on a biofuels mix may have some small emissions benefits depending on numerous factors, but there is no emissions standards difference between a regular diesel bus and one that may use biofuels as an in-use fuel. Thus, a bus that runs on a biofuel mix will not provide significant environmental benefits beyond the current diesel bus market options."

No.	Programmatic decision	EPA explanation
3	For the clean school bus funding pool, the EPA will fund zero-emission, propane, and compressed natural gas school buses.	Propane and compressed natural gas school buses are funded because, according to the EPA, those fuels reduce tailpipe nitrogen oxide emissions and work well in areas where zero-emission school buses would not work effectively or efficiently. The EPA made this decision without giving preference to any of the four criteria.
4	The EPA will offer more funding for zero-emission bus replacement than alternative fuel bus replacement.	The Agency made this decision after concluding that zero-emission buses reduce the most emissions and will scale up that technology and promote cost parity related to technology.
5	The EPA developed a six-step process to select rebate recipients from a lottery, as shown in Figure C-1.	According to the EPA, the selection process would give precedence to prioritized school districts and zero-emission school bus replacements without ignoring nonprioritized school districts and alternative fuel school buses. Giving precedence to prioritized school districts and zero-emission school bus replacements reduces the most emissions and brings new technologies to scale. However, the Agency designed the lottery system to also fund alternative fuel bus replacements, which may be the best option for a school district depending on its local conditions, such as route length and weather. Alternative fuel bus replacements are also cheaper than zero-emission school bus replacements. The EPA viewed this selection process to be a balance of all four criteria.
6	The EPA will require 2010 and older vehicle model years to be scrapped but will allow 2011 and newer vehicle model years to be scrapped, sold, or donated.	The EPA viewed this decision as a balance between the criterion of technologies that most reduce emissions and the criterion of the lowest overall cost of school bus replacement.
7	The EPA will set model year limits for both the existing school bus to be replaced and the replacement school bus.	The EPA viewed this decision as a balance between the criterion of technologies that most reduce emissions and the criterion of the lowest overall cost of bus replacement.
8	The EPA will fund up to $20,000 for charging infrastructure per zero-emission bus.	The EPA made this decision by giving preference to the criteria of technologies that most reduce emissions and whether funds will bring new technologies to scale or promote cost parity between old technology and new technology.
9	The EPA will not fund fueling infrastructure for alternative fuel buses.	The EPA made this decision by giving preference to the criteria of technologies that most reduce emissions and whether funds will bring new technologies to scale or promote cost parity between old technology and new technology.

Source: OIG summary of an EPA internal document. (EPA OIG image)

Figure C-1: The EPA's six-step process to select rebate recipients from a lottery



Notes: "ZE" means zero-emission, and "CSB" means clean school bus.

Source: *EPA Clean School Bus Program, Second Report to Congress, Fiscal Year 2022*, EPA-420-R-23-002, February 2023, and information from Office of Transportation and Air Quality personnel. (EPA image)

Agency Response to Draft Report

ASSISTANT ADMINISTRATOR FOR AIR AND RADIATION
WASHINGTON, D.C. 20460

June 28, 2024

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Report No. OSRE-FY23-0099, *The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds,* May 30, 2024

FROM: Joseph Goffman
Assistant Administrator
Office of Air and Radiation

TO: Gabrielle Fekete, Acting Director
Programs, Offices, and Centers Oversight (POCO) Directorate
Office of Special Review and Evaluation, Office of Inspector General

Thank you for the opportunity to respond to the recommendations in the draft report titled "*The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds*". The following is a summary of the the Office of Air and Radiation's (OAR's) overall position, along with its position with respect to of the report's recommendations. For those recommendations with which the agency agrees, we have provided a summary of intended corrective or reasons we are unable to provide them at this time. For those report recommendations with which the agency does not agree, we have explained our position and proposed alternatives. For your consideration, we have included technical comments as an attachment to this response.

SUMMARY OF RESPONSE

In this report, the Office of the Inspector General (OIG) evaluation team focused on the Clean School Bus Program's plans, methods, policies, and procedures that ensure Clean School Bus

eligibility requirements are met. In particular, the report focuses on internal controls that verify whether: 1) funding recipients have eligible existing school buses for replacement; replacement school buses will be in-service for five years; and zero-emission school buses are in suitable local conditions for these types of buses. We appreciate the OIG's efforts to help improve the Clean School Bus program and plan to provide additional guidance to applicants about appropriate documentation to prove replaced bus eligibility. Additionally, later this year the EPA expects to initiate audits on 2022 Clean School Bus Rebate recipients and will request to review bus logs and other materials. The EPA will adjust program guidance accordingly based on findings from these audits. Finally, the EPA has developed a partnership with the Joint Office of Energy and Transportation (JOET) to provide technical assistance for the Clean School Bus Program and this partnership will continue to provide robust technical assistance to Clean School Bus participants as they plan for new bus deployments, including the types of technology(ies) that may be best suited for their local conditions.

RESPONSE TO REPORT RECOMMENDATIONS

Our responses to the OIG's specific measures for improvement for OAR are as follows:

Recommendation 1: Issue guidance to Clean School Bus Program rebate and grant applicants on the types of documentation needed to support that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.

Response 1: OAR agrees with this recommendation and will provide additional guidance to applicants in upcoming program guidance.

Planned Completion Date: November 30, 2024

Recommendation 2: Require future Clean School Bus Program rebate and grant applicants to provide sufficient documentation to support their applications, including documentation that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.

Response 2: OAR agrees with the need for documentation to support bus replacement eligibility and the five year service requirement and will provide additional guidance to potential applicants in future funding opportunities about what materials to maintain to demonstrate bus eligibility in the event of an audit. As previously planned, OAR will be conducting site visits and audits of recipients starting later this year. As part of these visits and audits, EPA will review bus logs. In discussions with the OIG, they suggested OAR require submission of bus logs to prove that all replaced buses meet usage requirements. OAR believes requiring information in this manner would be burdensome to applicants, would significantly slow the program timelines, and that such logs could potentially be falsified. OAR believes reviewing bus logs as part of auditing recipients would yield more accurate results. In addition, applicants are required to attest to the truthfulness of their applications and are aware of the consequences for fraud, waste, and abuse.

Planned Completion Date: November 30, 2024

Recommendation 3: Update the standard operating procedures and training for EPA staff who review Clean School Bus Program applications. These standard operating procedures and training should address confirming, before the EPA awards funds, the eligibility of applicants and their school buses, including that their existing school buses are eligible for replacement and that replacement school buses will provide bus service for five years.

Response 3: OAR agrees with this recommendation and already includes eligibility analyses in the standard operating procedures (SOP) for application reviewers. For example, the Reviewer SOP currently includes checks for key eligibility criteria, including gross vehicle weight rating (GVWR) and model year. As noted above, EPA will also conduct follow-up site visits to review this documentation, such as bus logs, that support verification of usage requirements for buses to be replaced.

Planned Completion Date: Complete

Recommendation 4: Establish procedures to verify that, if an applicant is requesting Clean School Bus Program funds to replace existing school buses with zero-emission school buses, zero-emission school buses are suitable for the applicant's school district.

Response 4: OAR disagrees with this recommendation. The Clean School Bus Program is a voluntary program for fleet owners who want to replace older buses with zero- or low-emissions models. Fleet owners are best positioned to know their unique needs including routes and terrains. To that end, EPA has created a webpage for technical assistance and provided resources for conducting fleet and route analyses. EPA has established a partnership with the Joint Office of Energy and Transportation (JOET) specifically to help fleet owners conduct their fleet and route analyses as well as trouble shoot deployment issues. EPA has also hosted webinars with JOET that are posted online and available to all applicants. Additionally, as the program matures, we are gathering data about clean school buses in a variety of terrains and climate that will help inform future program design and provide lessons learned for EPA, fleet owners, and the industry as the electric and clean school bus market evolves.

Regarding the five-year statutory requirement, EPA does not collect contractual arrangements between third-party providers and school districts. The Terms and Conditions for each rebate program includes a statement that if the terms and conditions of an award are not met, including serving the school district for five years as required in the 2022 program, then the selectee may need to return up to the full amount of the award.

CONTACT INFORMATION

If you have any questions regarding this response, please contact Grant Peacock, OAR Audit Liaison, at peacock.grant@epa.gov or 202-564-6732.

cc: Betsy Shaw, OAR Sarah Dunham, OAR

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