



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The American Recovery and Reinvestment Act of 2009 (ARRA) provided the U.S. Environmental Protection Agency (EPA) with \$300 million in grant funds for diesel emissions reduction activities. We conducted our review to determine whether these funds were effective in obtaining diesel retrofits and emissions reductions.

Background

In fiscal year 2008, EPA began funding projects through grants authorized by the Energy Policy Act of 2005, Title VII, Subtitle G, also known as the Diesel Emissions Reduction Act (DERA). Under this authority, EPA competitively awards grants for projects to achieve significant reductions in diesel emissions that improve air quality and protect public health. In addition, EPA awards grants to support state diesel emissions reduction programs.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2011/20110301-11-R-0141.pdf

EPA Should Improve Guidance and Oversight to Ensure Effective Recovery Act-Funded Diesel Emissions Reduction Act Activities

What We Found

Documentation of grant activities did not always demonstrate that funded DERA work achieved the desired emissions reductions. For two subgrants involving 13 completed engine replacements costing \$343,753, supporting documentation did not clearly indicate the emissions certification level of the new engines. Also, for three subgrants to replace six vehicles costing \$268,000 in DERA funds, the engine model year was different from the vehicle model year. These documentation errors could result in EPA overestimating emissions reductions for these projects. Additionally, two subgrantees installed unverified technology costing \$15,900 on 15 buses. Further, quarterly reports included errors on specific project details that could affect the accuracy of EPA's final emissions reduction projections for these grants. Additional EPA guidance and oversight is needed to ensure that projects achieve the planned emissions reductions and that activities are reported accurately.

For the state DERA grant reviewed, two subgrantees replaced three vehicles costing \$108,425 even though they planned to replace these vehicles in 2010. EPA grant conditions stipulate that grantees must use funds for early replacements, not to replace vehicles or engines that would have been replaced due to normal attrition. However, neither the grant conditions nor EPA guidance explains how to determine normal attrition. We believe these expenditures do not meet the intent of DERA, and that EPA should better define early replacement for its state grant awards.

The methodology used by prime grantees to report the number of jobs funded by ARRA appeared reasonable. However, for one grant the prime grantee did not adjust job hours to account for cost sharing by the subgrantee. As a result, the job hours reported as funded by ARRA were slightly overstated.

What We Recommend

We recommend that the Assistant Administrator for Air and Radiation require the Director, Office of Transportation and Air Quality, to (1) develop oversight procedures to provide reasonable assurance that grantee progress reports are accurate and that emissions certification levels are verified, (2) require that DERA grant and subgrant agreements specify the emissions certification level or year of new engines installed as part of vehicle replacement and engine repower projects, (3) issue guidance clearly defining eligible costs for early replacements of vehicles and engines for state grants, and (4) recoup unsupported expenditures of funds. The Office of Air and Radiation agreed with our recommendations and is taking actions to implement them.