

The EPA Should Improve Monitoring of 2022 Clean School Bus Rebate Recipients' Use of Funds and Deployment of Buses and Infrastructure

December 4, 2024 | Report No. 25-P-0007



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Abbreviations

CSB	Clean School Bus
EPA	U.S. Environmental Protection Agency
IJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General

Cover Image

New electric buses for South Carolina. (EPA OIG image)

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At a Glance

The EPA Should Improve Monitoring of 2022 Clean School Bus Rebate Recipients' Use of Funds and Deployment of Buses and Infrastructure

Why We Did This Audit

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine the extent to which the EPA ensures that the recipients of the 2022 EPA Clean School Bus Program rebates manage funding in accordance with federal requirements.

The Infrastructure Investment and Jobs Act amended the EPA's Clean School Bus Program, section 741 of the Energy Policy Act of 2005, and provides \$5 billion to replace existing school buses with clean and zero-emission buses from fiscal year 2022 through 2026. The EPA Office of Air and Radiation and its Transportation and Climate Division are responsible for managing the Clean School Bus Program.

To support these EPA mission-related efforts:

- *Improving air quality.*
- *Operating efficiently and effectively.*

To address these top EPA management challenges:

- *Mitigating the causes and adapting to the impacts of climate change.*
- *Managing grants, contracts, and data systems.*

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What We Found

The EPA did not monitor bus deployment status and recipient use of over \$836 million of 2022 Clean School Bus, or CSB, Program rebates, despite the Agency stating it would do so in the *2022 Clean School Bus (CSB) Rebates Program Guide*. As of June 2024, only 22, or 6.1 percent, of the 360 schools that received rebates in 2022 had completed their rebate closeouts. At the time of this audit, we found that ten, or 59 percent, of the 17 schools we reviewed are in the process of installing the infrastructure necessary to operate the new clean buses and may not meet the program closeout deadline of October 2024. Additionally, the EPA did not provide guidance to recipients on how funds should be managed. We found that, contrary to multiple OIG briefings on strategies to reduce fraud risk, the EPA allowed recipients to keep CSB funds in accounts with other funds or earn interest on rebate funds while they wait to pay the final invoices, which increases the risk of program funds and interest earned being used for other purposes.

The Agency said that it wanted to allow some time to elapse in the first rebate cycle before conducting site visits. Also, according to the Agency, funds management guidance was not issued to recipients because there is no applicable federal guidance on managing rebates.

The EPA designed this rebate program to be less burdensome for recipients as opposed to other types of federal financial assistance such as grants, which place additional controls on recipients' management of funds. This programmatic approach did not consider and mitigate risks associated with limited Agency oversight and restrictions governing recipients' management of rebate funds.

As a result, the Agency was not aware of whether all 2022 CSB rebate recipients were on schedule to complete closeouts by October 2024. Also, the Agency was not aware of how recipients were managing funds, which puts the funds at an increased risk of fraud, waste, and abuse.

The Agency was not aware of whether schools were properly safeguarding nearly \$1 billion in distributed rebate funds or whether recipients were progressing toward completing program closeout by the October 2024 deadline.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Air and Radiation develop and implement guidance for CSB Program personnel on reviewing CSB rebate recipients' use and management of rebate funds and establish clear guidelines for CSB rebate recipients to adhere to regarding the management of rebate funds. The Agency agreed with our recommendations. Recommendation 1 is unresolved because the planned corrective action does not fully meet the intent of the recommendation. Recommendation 2 is resolved with corrective action pending.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

December 4, 2024

MEMORANDUM

SUBJECT: The EPA Should Improve Monitoring of 2022 Clean School Bus Rebate Recipients' Use of Funds and Deployment of Buses and Infrastructure
Report No. 25-P-0007

FROM: Sean W. O'Donnell, Inspector General *Sean W O'Donnell*

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

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was [OA-FY23-0098](#). This report contains a finding that describes the problem 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 acceptable corrective actions and estimated milestone dates in response to Recommendation 2. This recommendation is resolved with corrective actions 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

Recommendation 1 is 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 alternate corrective actions proposed on the recommendation. 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 audit to determine the extent to which the EPA ensures that the recipients of the 2022 EPA Clean School Bus, or CSB, Program rebates manage funding in accordance with federal requirements.

Top management challenges addressed

This audit addresses the following top management challenges for the Agency, as identified in OIG Report No. [24-N-0008](#), *The EPA's Fiscal Year 2024 Top Management Challenges*, issued November 15, 2023:

- Mitigating the causes and adapting to the impacts of climate change.
- Managing grants, contracts, and data systems.

Background

CSB Program Funding and Guidance

The Infrastructure Investment and Jobs Act, or IIJA, signed into law on November 15, 2021, amended the CSB Program under section 741 of the Energy Policy Act of 2005. The IIJA provides \$5 billion to replace existing school buses with clean buses, such as ones fueled by compressed natural gas or propane, and zero-emission school buses.¹ For each fiscal year from 2022 through 2026, the IIJA makes \$500 million available to fund zero-emission and clean school buses and an additional \$500 million available to fund only zero-emission school buses.

The EPA used rebates for the first round of the CSB Program because rebates are less administratively burdensome to schools and can be disbursed quickly.

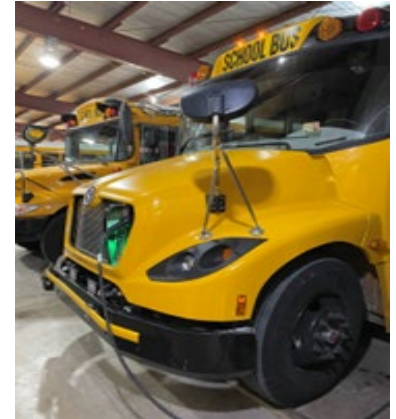
The IIJA allows the EPA administrator to use rebates, grants, or a combination of both to provide funds under the CSB Program. For 2022, the Agency chose to use rebates as the funding mechanism. The EPA issued the *2022 Clean School Bus (CSB) Rebates Program Guide* in May 2022, which detailed the eligibility criteria and requirements for the EPA's CSB rebate recipients. The guide described eligibility criteria for applicants, types of buses offered, funding amounts, and the application and closeout processes. According to the guide, the Agency planned to assess whether rebate recipients had complied with the program, as well as to monitor the deployment status of the buses. Office of Management and Budget Memorandum M-22-12, *Advancing Effective Stewardship of Taxpayer Resources and Outcomes in the Implementation of the Infrastructure Investment and Jobs Act*, issued April 2022, states that programs receiving IIJA funds "should be designed to collect and use data, or use existing data, that is needed for measuring progress and building evidence on program effectiveness,

¹ A zero-emission school bus produces zero exhaust emissions of air pollutants and greenhouse gases. A clean school bus is either a zero-emission bus or a bus that reduces emissions by operating entirely or in part using an alternative fuel, such as propane or natural gas.

including implementation activities, performance reporting, and program evaluation, as appropriate.” This includes collecting feedback from program recipients and beneficiary communities and collecting data or using existing data to assess program effectiveness. The U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* provides the overall framework for establishing and maintaining an effective internal control system, including conducting risk assessments of programs and instituting effective monitoring controls to mitigate risks.

The EPA’s 2022 CSB Rebate Program Timeline

In 2022, entities such as school districts, bus dealers, original equipment manufacturers,² nonprofit school transportation associations, and tribal entities responsible for providing school bus service were eligible for the CSB Rebate Program. Under the program, the EPA disbursed rebates to subsidize the purchase of zero-emission or clean school buses, as well as eligible infrastructure, before the buses were purchased.



Side view of yellow electric bus charging after morning route. (EPA OIG photo)

Table 1 explains the timeline for the 2022 CSB Rebate Program. Although the final deadline is October 2024, rebate recipients can request an extension. The EPA will review the extension applications and approve them on a case-by-case basis. If the extension is approved, the Agency will work with the recipient to provide a new timeline for completion.

Table 1: 2022 CSB Rebate Program timeline

Activity	Date
2022 CSB rebates opened, and applications were accepted.	May 20–August 19, 2022
The EPA reviewed applications and conducted a lottery to select recipients.	September 2022
The EPA notified applicants of selection status. Selectees proceeded with purchasing new buses and charging infrastructure.	October 2022
Selectees submitted payment request forms with purchase orders, demonstrating that new buses and eligible charging infrastructure were ordered.	October 2022–April 2023
Deadline for selectees to receive new buses, install eligible charging infrastructure, replace old buses, and submit closeout forms.	October 2024

Source: 2022 CSB Rebates Program Guide. (EPA OIG table)

Funding for Eligible Buses and Infrastructure

For the 2022 CSB Rebate Program, each applicant could request up to 25 buses. The highest amount allowed was \$375,000 per bus; however, the rebate amount per bus depended on (1) the bus fuel type, (2) the bus size, and (3) whether the school district to be served by the buses met one or more

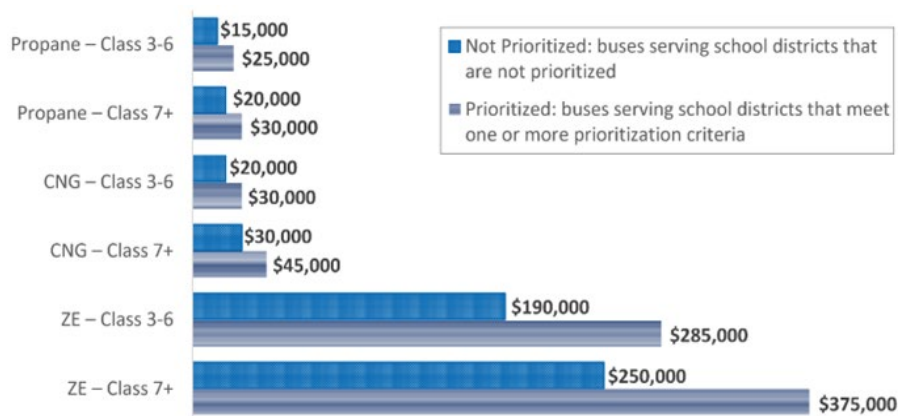
² For the context of this audit, original equipment manufacturers refer to bus manufacturers.

prioritization criteria listed in the guide.³ The funds awarded through the rebates were to be used only for buses and eligible infrastructure. Figure 1 includes the funding amounts for all bus types.⁴



View of a white propane tank being installed in a parking lot for new school buses for Toledo Public Schools in Ohio. (EPA OIG photo)

Figure 1: Maximum bus funding amount per replacement school bus



Note: CNG = Compressed Natural Gas. ZE = Zero-Emission.

Source: 2022 CSB Rebates Program Guide. (EPA OIG image)

According to the “EPA Clean School Bus Program Awards” [website](#), the Agency paid over \$836 million in 2022 CSB rebates to purchase 2,243 buses and eligible infrastructure as of June 5, 2024. The funds were used to purchase 2,138 electric buses, 104 propane buses, and one compressed natural gas bus; 360 schools will benefit from the funding. Only 22, or 6.1 percent, of schools have completed the project, which had a deadline of October 2024. The 22 schools that completed the process received about \$21.9 million, or 2.62 percent, of the over \$836 million paid in rebates as of June 5, 2024. See Figure 2 for the number of recipients and buses each EPA region received.

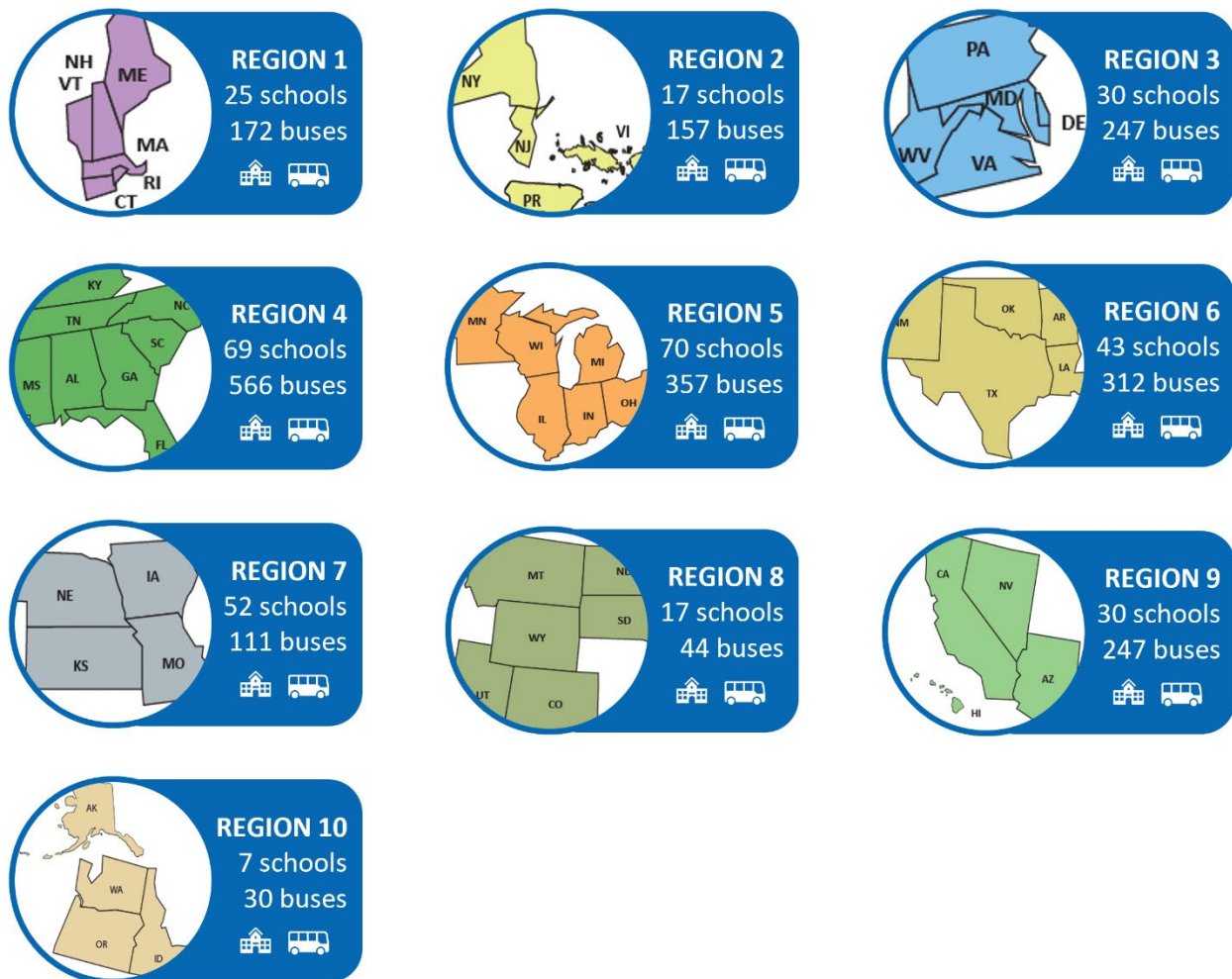


Side view of yellow propane buses in Northwest Ohio. (EPA OIG photo)

³ The statute defines the priority categories that the EPA applies to this program, including high-need school districts, those serving tribal students, and districts in rural areas.

⁴ Bus class size is based on gross vehicle weight rating. Classes 3-6 have a gross vehicle weight rating of 10,001-26,000 pounds and Classes 7+ have a gross vehicle weight rating of 26,001 pounds or more.

Figure 2: Number of CSBs and benefitting schools per EPA region



Source: Summary of number of schools and buses awarded per EPA region as of June 2024. (EPA OIG image)

Along with the funding for the buses, the EPA allocated up to \$20,000 for charging infrastructure installations for each eligible zero-emission bus. Table 2 shows the maximum funding that schools could receive for infrastructure.

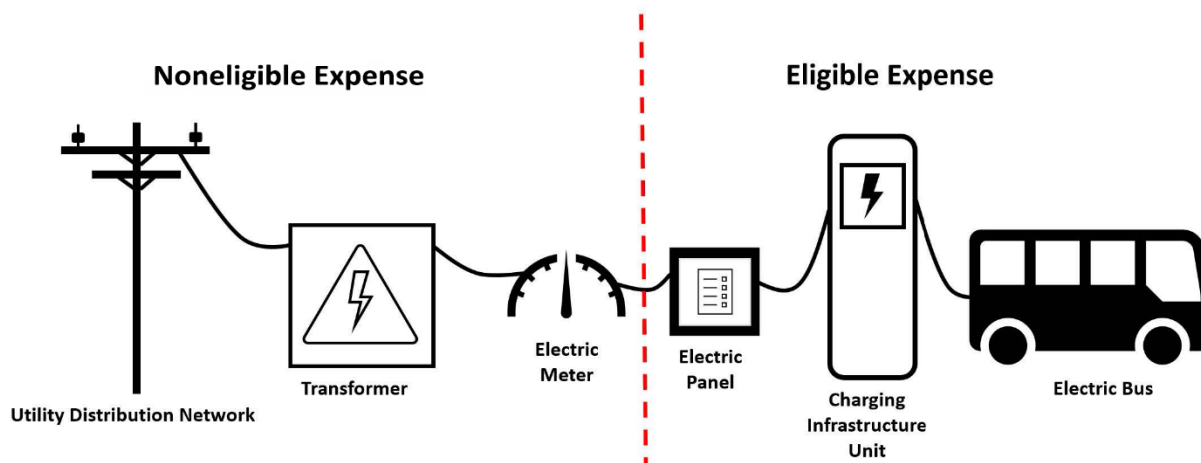
Table 2: Maximum charging infrastructure amount per zero-emission school bus

School district prioritization status	ZE – Class 3+ Infrastructure Funding
Buses serving school districts that meet one or more prioritization criteria	\$20,000
Buses serving school districts that are not prioritized	\$13,000

Source: 2022 CSB Rebates Program Guide. (EPA OIG image)

The funding for infrastructure was limited to installations between the electrical meter and the charging port. Per the 2022 CSB Rebates Program Guide, Agency funds may not be used for any infrastructure costs associated with the utility side of the electrical meter. Figure 3 shows the infrastructure that was eligible for funding. Rebate recipients are responsible for any noneligible expenses.

Figure 3: Eligible infrastructure for CSB Program funds



Source: 2022 CSB Rebates Program Guide. (EPA OIG image)

The IIJA allows the CSB Program to use rebates, grants, or a combination to provide funds. Both grants and rebates provide selectees with funding prior to purchasing eligible buses and infrastructure. However, the EPA stated that it chose to provide funding through rebates in the first round because the rebates provide some advantages, including:

- Ease of the application process. Rebate applications are generally quick and simple, whereas grants generally require longer, more detailed applications.
- Ease of the selection process. A random lottery process is used to select rebate recipients, whereas competitive grant programs select recipients based on evaluation of application materials.
- Shorter project periods. Rebate programs are generally narrowly focused on providing funding for the products, eligible buses, and infrastructure in this case, and they are intended to be for relatively short duration projects.
- Flexibility for financially vulnerable communities. Rebate programs provide flexibility in funding, such as providing funds for training, and reach financially vulnerable communities faster to make sure they have an opportunity to receive the benefits of the program quickly.



Front view of white electric bus charging station in South Carolina. (EPA OIG photo)

Responsible Offices

The Office of Air and Radiation develops national programs, policies, and regulations for controlling air pollution and radiation exposure. Within the Office of Air and Radiation, the Office of Transportation

and Air Quality addresses emissions from a range of mobile sources: cars and light trucks, large trucks and buses, farm and construction equipment, lawn and garden equipment, marine engines, aircraft, and locomotives. Its Transportation and Climate Division is responsible for administering the CSB Program, including making awards in the form of grants or rebates to eligible recipients. The CSB Program outreach activities include hosting webinars in English and Spanish that discuss the overview of the program, application process, available technology to replace buses, technical assistance for electric fleets, and next steps for funding selectees. According to the Agency, the obligated funds for implementing CSB Program in fiscal years 2022 and 2023 was \$6.3 million and \$15.5 million respectively.

Scope and Methodology

We conducted this audit from September 2023 to October 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To answer our objective, we analyzed how the following guidance discussed the use of program funds: Office of Management and Budget Memorandum M-22-12, *Advancing Effective Stewardship of Taxpayer Resources and Outcomes in the Implementation of the Infrastructure Investment and Jobs Act*; the Office of Air and Radiation's *2022 CSB Rebates Program Guide*; and the EPA's Gold Standard Meeting.⁵ We also sent a questionnaire to 25 CSB rebate recipients asking them how they managed funds.⁶ Seventeen of the recipients were schools, seven were original equipment manufacturers, and one was a bus dealer. We conducted site visits to 12 of the 25 recipients. We interviewed EPA staff regarding their internal controls over disbursing funds and monitoring the status of the CSB Program. For recipients that said they placed funds in interest-bearing accounts, we calculated the change in account balances to confirm interest earned; however, we did not attempt to determine the precise amount of interest earned.

We assessed the internal control components, as outlined in the Government Accountability Office's *Standards for Internal Control in the Federal Government*, significant to our audit objective. Any internal control deficiencies we found are discussed in this report. Because our audit was limited to the internal control components deemed significant to our audit objectives, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit. In assessing internal control components, we focused on the following two principles:

⁵ The Gold Standard presentation is a meeting that took place on September 28, 2022, between the Office of Air and Radiation and the OIG to share how the Agency would address the IJIA and improper payment requirements to avoid fraud, waste, and abuse in the CSB Program. The Gold Standard presentation was a requirement from M-22-12, *Advancing Effective Stewardship of Taxpayer Resources and Outcomes in the Implementation of the Infrastructure Investment and Jobs Act*.

⁶ We are not making inferences about the population because we did not select a statistical sample.

- Principle 7, which requires management to identify and analyze risks related to achieving the effectiveness and efficiency of operations to form a basis for designing risk responses.
- Principle 16, which requires management to evaluate and document the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system.

Prior Reports

In EPA OIG Report No. [24-E-0050](#), *The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds*, issued on July 31, 2024, we found that the Agency followed six of the seven requirements to select recipients, but it did not have sufficient internal controls to ensure that recipients were eligible for school buses. We recommended that the Agency issue guidance on the type of documentation needed to support that replacement buses will provide service for five years; require applicants to submit sufficient documentation to support their applications; update the standard operating procedures and training to verify eligibility; and establish procedures to verify that zero-emission school bus replacements are suitable for the applicant's school district.

In EPA OIG Report No. [24-P-0012](#), *The EPA Clean School Bus Program Could Be Impacted by Utility Delays*, issued on December 27, 2023, we found that there were no significant supply chain issues or production delays that impacted the EPA's efforts to disburse funds through the first round of the CSB Program's funding, pursuant to section 71101 of the IIJA. However, the EPA's 2022 rebate application did not require applicants to coordinate with their utility companies before applying for rebates. As a result, the Agency may be unable to effectively manage and achieve the program mission unless utility companies can meet increasing power supply demands for electric school buses. We made no recommendations.

In EPA OIG Report No. [24-N-0013](#), *Preventing Fraud, Waste, and Abuse Within the EPA's Clean School Bus Program*, issued on December 27, 2023, we found instances where entities lacking students applied for and received funding because of the lack of verification protocols from the Agency.

Results

The EPA did not monitor bus deployment status and recipient use of over \$836 million of 2022 CSB Program rebates, despite committing to do so in the *2022 CSB Rebates Program Guide* and in the Gold Standard Meeting. Specifically, the EPA has not conducted site reviews, requested deployment status, or issued guidance to recipients on how to manage program funds. We found that some recipients are keeping CSB funds in accounts with other funds or earning interest on rebate funds while they wait to pay the final invoices, which increases the risk of program funds and interest being used for other purposes and recipients delaying the use of funds to earn additional interest. Throughout our fraud awareness briefings to the Agency, we emphasized the importance of taking proactive measures to reduce the likelihood of fraud, waste, and abuse. Some of the measures discussed included segregating EPA funds, adhering to the designated purpose of EPA funds, and implementing regular site visits to

ensure proper use of funds. The EPA stated that it did not monitor deployment status and conduct site visits because it wanted the program to mature in the first rebate cycle before doing so.

In addition, the EPA stated that it did not issue management guidance regarding funds because there is no applicable federal guidance for managing rebates and that it designed this rebate program to be less administratively burdensome for recipients, as opposed to other types of federal financial assistance. For example, CSB grants place additional controls on funding, including incremental funding based on project completion, quarterly progress reports, detailed budget breaking down all project expenses, and limits on earning interest. When the Agency decided to offer rebates in 2022, the EPA did not consider and mitigate risks associated with limited Agency oversight and less restrictive funds management. As a result, the Agency was not aware of whether all 2022 CSB Program rebate recipients were on schedule to complete closeouts by October 2024. The Agency was also not aware of how recipients are managing funds. The Agency anticipates awarding at least another \$1 billion in rebates or grants each fiscal year from 2023 through 2026. Unless the EPA provides more robust guidance for and oversight of CSB rebate funding, these funds are at an increased risk of fraud, waste, and abuse.

The EPA Did Not Monitor Bus Deployment Status

As of June 2024, the EPA provided rebates that will benefit 360 school districts under the program but did not conduct site reviews or request deployment status of buses. While the Agency stated in the *2022 CSB Rebates Program Guide* and Gold Standard Meeting that the program would randomly review recipients to protect against waste, fraud, and abuse, it did not provide details about the start of the reviews and the criteria the reviews would follow.

During our audit, the Agency provided us a list of rebate recipients' bus deployment status based on the estimated delivery dates in their rebate applications. The list included, among other things, the number of buses per application, the rebate amount, and the estimated delivery date of the buses. After conducting site visits from December 2023 to March 2024, we learned that some of the estimated delivery dates did not coincide with the actual dates the schools expected to receive the buses. For example, one of the schools we visited had received funds in August 2023 and, according to the EPA's list of rebate recipients, had a November 30, 2023 estimated delivery date. However, according to



Left: Side view of three yellow electric buses parked outside after morning route. *Right:* Side view of yellow electric bus parked outside an original equipment manufacturer plant. (EPA OIG photos)

school staff, it only received two of the 25 buses in November 2023 and did not plan to complete the charging infrastructure installation until August 2024. In another example, a school received funds in April 2023 and had an estimated delivery date of August 2023, according to the EPA. When we visited the school in January 2024, the school had not started installing the charging infrastructure and did not expect the buses until July or August 2024.

As of our audit, ten, or 59 percent, of the 17 schools we reviewed were still in the process of installing the infrastructure necessary to operate the buses and may not have met the program closeout date of October 2024. Six of the 13 schools that had not received the buses had delayed delivery dates that were later than what the EPA anticipated, as shown in Table 3. As of June 2024, only 22, or 6.1 percent, of 360 schools had completed the rebate closeout.⁷

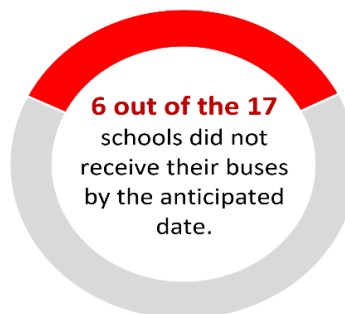


Table 3: Status of bus deliveries for schools reviewed as of March 2024

No.	No. of buses	Bus delivery status	EPA anticipated delivery dates
1	25	Received 25	5/1/23
2	25	Received 2	11/30/23
3	3	Not Received	7/1/24
4	6	Not Received	8/27/23
5	25	Not Received	10/1/23–10/31/24
6	25	Received 25	10/27/23
7	25	Not Received	7/26/23–7/26/24
8	164	received 20	12/31/23–3/31/24
9	51	Received 2	4/10/23–11/15/23
10	20	Not Received	3/31/24
11	12	Not Received	12/15/23
12	25	Not Received	12/1/23
13	10	Not Received	6/30/24
14	23	Received 23	6/30/23–8/30/23
15	13	Received 13	8/31/23
16	25	Not Received	10/27/23
17	25	Not Received	9/2/24–10/31/24

Note: Unshaded rows with a thick red border are schools for which the EPA’s estimated delivery date does not match dates confirmed during site visits.

Source: Analysis of bus delivery status. (EPA OIG table)

⁷ Data downloaded from the [CSB website on data award](#).

According to Office of Management and Budget M-22-12, programs receiving IIJA funding should use data to measure progress and program effectiveness and evaluate performance. In addition, according to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, management should evaluate and document results through ongoing monitoring to identify internal control issues. The EPA should have developed controls to help ensure that the Agency was aware of deployment status to determine whether schools would have new buses in operation by the program deadline of October 2024.

The EPA Did Not Monitor Use of Funds

In addition to not monitoring deployment status of the buses, the EPA did not monitor recipient use of funds. While awaiting school bus delivery and final installation of the charging infrastructure, some rebate recipients are mixing CSB funds with other school funds, which puts CSB funds at risk of misuse. Some school districts are earning interest on rebate funds because they are holding funds in interest-bearing accounts. For example, one of the schools we visited stated that it was keeping the CSB funds in interest-bearing accounts until the new electric buses were delivered. Earning interest on CSB funds could have disincentivized schools from completing the program by October 2024.

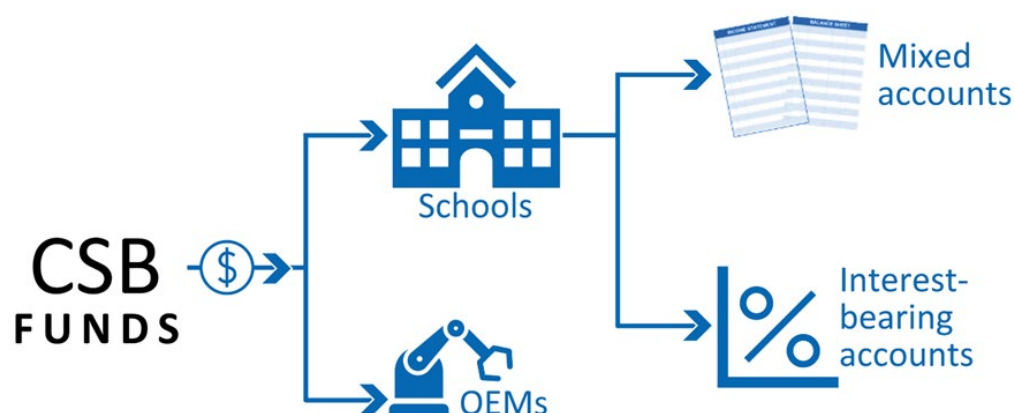
The Agency said that it was not aware that schools were depositing CSB funds instead of making payments for the buses. The EPA thought that original equipment manufacturers needed the funds in advance to start manufacturing the buses. Figure 4 depicts how some schools were managing rebates while waiting to pay for the buses.



Side view of yellow electric bus engine. (EPA OIG photo)

According to one bus dealer participating in the CSB Program, it is not standard business practice to ask for 100 percent of bus costs upfront. Usually, 20 or 30 percent is paid upfront with the balance due upon delivery. The EPA did not ask bus dealers how much money was needed in advance and gave recipients the all the funds at one time.

Figure 4: CSB rebate recipients' management of funds



Note: OEM = Original Equipment Manufacturer.

Source: OIG depiction of recipients' management of CSB funds. (EPA OIG image)

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, management should identify and analyze risks related to achieving effectiveness and efficiency of operations and design responses to mitigate risks. The EPA needs to develop controls to mitigate risks associated with schools managing program funds while they wait to pay for new buses.

The EPA Did Not Establish a Deadline to Start Reviewing Rebate Recipients and Implemented the CSB Rebate Program Without Providing Guidance on Managing Funds

The 2022 CSB Rebate Program did not include management controls related to risk assessment and monitoring to ensure that funds were properly safeguarded. The EPA decided to award rebates for the 2022 CSB Program because rebates have fewer federal requirements than other types of assistance available under the program. According to the EPA, rebates require less time to disburse, have shorter project periods, and are not administratively burdensome for recipients that are most financially in need. However, by establishing a rebate program without sufficient controls, such as conducting recipient reviews and providing guidance on using and tracking funds, the Agency put the program funds at risk for fraud, waste, and abuse.

The Agency stated in the *2022 CSB Rebates Program Guide* and Gold Standard Meeting that the program would randomly review selectees to protect against waste, fraud, and abuse; however, the Agency wanted to allow time for the program to mature in the first rebate cycle before starting reviews and, as of this audit, is in the process of finding a contractor to do so. The first rebate payments were made in March 2023. In addition, the Agency did not include what information would be reviewed and the criteria for doing so in the *2022 CSB Rebates Program Guide*.



Electric bus temporary charging station. (EPA OIG photo)

The Agency did not include or provide guidance in the *2022 CSB Rebates Program Guide* as to whether program funds should be kept in separate accounts or whether recipients could earn interest on CSB funds, nor did it provide instructions for using the interest earned from rebate payments. According to the Agency, while grants require any interest over \$500 to be returned to the government, there are no federal guidelines on interest earned on rebates. The Agency acknowledged that interest earned on 2022 rebate funds will not be recovered because there is no guidance regarding interest earned on rebate funds.

Conclusions

The EPA awarded over \$836 million in rebates benefitting 360 schools to purchase 2,243 buses under the 2022 CSB Rebates Program. However, the Agency has not monitored deployment status of the buses and recipient use of the funds. As a result, the Agency is not aware of whether recipients had the new buses in operation by the program closeout date or whether recipients are mixing funds with other accounts and, in some cases, earning interest. The Agency's lack of oversight of this rebate program puts the funds at increased risk of fraud, waste, and abuse. With an additional \$1 billion of funds planned to be issued via rebates through the 2023 and 2024 CSB Rebate Programs, the EPA needs to conduct reviews to confirm the deployment status of the buses and develop funds management guidance for recipients to properly safeguard these taxpayer dollars.

Recommendations

We recommend that the assistant administrator of Air and Radiation:

1. Develop and implement guidance for Clean School Bus Program personnel on reviewing Clean School Bus rebate recipients' use and management of rebate funds.
2. Establish clear guidelines for Clean School Bus rebate recipients to adhere to regarding the management of rebate funds.

Agency Response and OIG Assessment

The Agency agreed with Recommendation 1 but did not propose corrective actions that fully met the intent of the recommendation. The Office of Air and Radiation stated that it will update existing standard operating procedures to include steps for CSB Program personnel to review information on recipients' funds management. However, it also stated that the review would not occur until the closeout process, which can be up to 596 days after funds are distributed. This lack of tracking will continue to place funds at an increased risk of fraud, waste, and abuse as the Agency may not be aware of the status of bus deliveries and whether recipients are properly managing funds.

The Agency agreed with Recommendation 2 and proposed corrective action that meets the intent of the recommendation. Appendix B contains the EPA's response to the draft report.

Status of Recommendations

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date
1	12	Develop and implement guidance for Clean School Bus Program personnel on reviewing Clean School Bus rebate recipients' use and management of rebate funds.	U	Assistant Administrator for Air and Radiation	—
2	12	Establish clear guidelines for Clean School Bus rebate recipients to adhere to regarding the management of rebate funds.	R	Assistant Administrator for Air and Radiation	3/31/25

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

2022 CSB Rebates Program Guide

2022 CSB Program Reception of Funds

Rebate selectees must submit an online payment request form that includes copies of the purchase orders for the new school buses and eligible charging infrastructure within six months of the date of the selection notification. The purchase order document must be on the bus dealer's letterhead and include the following information for each bus:

- Purchaser name, address, and business phone number.
- Dealer name, address, and business phone number.
- Vehicle make, model, year, fuel type, gross vehicle weight rating, and purchase price.
- Eligible infrastructure, make, model, and purchase price.
- Purchase order date.
- Estimated delivery date.

Selectees must submit an online closeout form demonstrating that they have received their new buses and eligible charging infrastructure and have replaced their old buses. The closeout form requires selectees to attach:

- Scrappage photos for buses being replaced and a letter attesting to the scrappage.
- Documentation of the buses sold or donated.
- Scan of the invoices for the new buses and eligible infrastructure.
- Proof of delivery for the new buses and eligible infrastructure.
- Photo of the exterior of each new bus, labeled with the last four digits of the bus vehicle identification number.
- Photo of each charging pedestal if EPA funds were used for charging infrastructure.

The deadline for selectees to receive new buses, install eligible charging infrastructure, replace old buses, and submit closeout forms was October 2024. The EPA anticipated disbursing funds within approximately 60 days of the submission of a complete payment request form.

Eligibility

Those eligible for the 2022 CSB rebates included state and local government entities that provide bus services; eligible contractors that either have the capacity to sell clean or zero-emission buses or

charging related infrastructure or to arrange financing for such a sale; nonprofit school transportation associations; and Indian tribes, tribal organizations, or tribally controlled school districts.

Each applicant must identify the elementary or secondary school district that the replacement buses will serve for not less than five years from the date of delivery. For those that applied to the CSB Rebate Program as eligible contractors and nonprofit school transportation associations, they must notify and receive approval from the school district that the buses would serve. These eligible contractors and nonprofits must certify this approval from the school district on the application form.

The IJA allows the EPA to prioritize certain applicants in the CSB Rebate Program. Applicants requesting CSB rebate funding must fall under the criteria of one or more of the prioritization qualifications below to receive the prioritization status. If prioritization status applies, the recipient will be offered more funding per bus and receive preference in the selection process. See Figure 1 in the report for the difference in funding per bus based on prioritization status. Schools that have prioritization status include:

- High-need school districts and low-income areas limited to:
 - School districts listed in the [Small Area Income and Poverty Estimates \(SAIPE\) School District Estimates for 2020](#) as having 20 percent or more students living in poverty.
 - 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 living in poverty under the federal poverty threshold. The EPA or its authorized representatives may request documentation demonstrating the poverty self-certification.
 - School districts located in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
- School districts identified with locale codes “43-Rural: Remote” and “42-Rural: Distant” by the National Center for Education Statistics.
- Bureau of Indian Affairs-funded school districts and school districts that receive basic support payments under 20 U.S.C. § 7703(b)(1) for children who reside on Indian land.

Funding Under the CSB Program

It is the EPA’s responsibility to determine the best method to distribute the funds for the CSB Program. The Agency had the option to distribute the funds through a grant program or a rebate program. For the 2022 round of funding, the Agency chose to distribute the CSB funds through a rebate program for the following reasons: the easier application process of the rebate program, the noncompetitive selection process of the rebate program, the lessened burden for prioritized schools because of their lack of resources available, and the shorter project period in going with a rebate program.

Agency Response to Draft Report



ASSISTANT ADMINISTRATOR FOR AIR AND RADIATION

WASHINGTON, D.C. 20460

November 1, 2024

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, *The EPA Should Improve Monitoring of 2022 Clean School Bus Rebate Recipients' Use of Funds and Deployment of Buses and Infrastructure*, Project No. OA-FY23-0098, October 2, 2024

FROM: Joseph Goffman
Assistant Administrator
Office of Air and Radiation

TO: Gabriel Porras-Sanchez, Project Manager
Recycling Cleanup and Pollution Prevention Directorate
Office of Audit, Office of Inspector General

Thank you for the opportunity to respond to the recommendations in the draft report titled "The EPA Should Improve Monitoring of 2022 Clean School Bus Rebate Recipients' Use of Funds and Deployment of Buses and Infrastructure." The following is a summary of the Office of Air and Radiation's (OAR's) overall position, along with its position with respect to the report's recommendations. We agree with both recommendations and have provided a summary of intended corrective actions.

SUMMARY OF RESPONSE

In this report, the Office of the Inspector General (OIG) audit team focused on the Clean School Bus Program's policies and procedures for monitoring recipients' use of funds and school bus deployment status.

Among the report findings, the OIG asserts that EPA is not aware of whether recipients will have the new buses in operation by the program closeout date. Rebate recipients provide EPA with an estimated delivery date in their Payment Request Forms, which are intended to provide an approximation of when the new buses were expected. However, EPA knows these dates are subject to change as recipients work with vendors and utility partners to implement the project.

At the end of each two-year project, rebate recipients must submit an online Close Out Form demonstrating proof that they have received their replacement buses, any eligible charging infrastructure, and have replaced their existing buses.

Additionally, the Office of Air and Radiation has been working closely with the Office of the Chief Financial Officer to strengthen financial management of the Clean School Bus rebates.

We appreciate the OIG's efforts to help improve the Clean School Bus program and have provided responses to the report recommendations below.

RESPONSE TO REPORT RECOMMENDATIONS

Responses to the OIG's specific recommendations for OAR are as follows:

Recommendation 1: Develop and implement guidance for Clean School Bus Program personnel on reviewing Clean School Bus rebate recipients' use and management of rebate funds.

Response 1: OAR agrees with this recommendation. OAR will update the existing standard operating procedures (SOPs) to include steps for Clean School Bus Program personnel to review information from funding recipients regarding their use and management of rebate funds at close out. Additionally, as stated in the OIG's report, the EPA will undertake audits and site visits of 2022 Rebate recipients beginning in November 2024, which follows the October 31, 2024, deadline for submitting project close out documentation. The EPA has been waiting for the "close out" stage of the 2022 Rebate Program before initiating site visits and audits to maximize the benefit of government resources expended on the visits, ensure that buses and any charging infrastructure funded by the Clean School Bus Program are available for inspection, and confirm documentation retention requirements are met. Audits will include review of documentation relevant to the project, including: bus logs to confirm the replacement buses met the usage requirement, scrappage photos of buses that were replaced and/or relevant documentation of sale/donation for buses based on model year requirements, details of new buses such as vehicle identification numbers compared to the titles, as well as visual confirmations that new buses and any funded charging equipment are serving the school district listed on the rebate application. These activities allow the EPA to ensure Clean School Bus Rebate recipients' proper use and management of funds.

Planned Completion Date: Audits begin November 2024; updated SOP for close out form will be completed prior to conducting close out form reviews for 2023 Rebates, expected by May 31, 2026.

Recommendation 2: Establish clear guidelines for Clean School Bus rebate recipients to adhere to regarding the management of rebate funds.

Response 2: OAR agrees with this recommendation. Since last meeting with OIG, the Clean School Bus Program has coordinated with the EPA Office of General Counsel (OGC) and the Office of the Chief Financial Officer (OCFO) to update program guidance regarding interest. The EPA is identifying a path forward to address any interest that 2022 Rebate recipients may have earned on advanced rebate funds, following an appropriate information gathering process that complies with existing federal rules and regulations. Starting with the 2023 Rebate Program, recipients were advised at the time of selection notification that they must return any interest earned on advances; the Clean School Bus Program will remind 2023 Rebate recipients of the requirement to return any interest earned on advances when funds are disbursed to the recipient (after review of their order documentation and other required information submitted with their request for payment). For the 2024 Rebate Program, the 2024 Program Guide states, “funds should not be kept in interest-bearing accounts; for funding recipients without access to a non-interest-bearing account, then any interest earned must be returned.” This will be reiterated to recipients in additional guidance materials, such as webinars and FAQs. At the time of project close out, recipients will declare any interest earned on advances and will be required to return the interest. The 2024 Program Guide also includes guidance to notify EPA’s Financial Office within 10-business days of when the recipient disburses their funds to a vendor. Finally, the 2024 Program Guide addresses the issue of keeping Clean School Bus funds in a separate account and states “Selectees must follow proper financial management practices to ensure that these funds are only used for eligible expenses and should keep these EPA funds separate from other funds the selectee might have for general expenses.”

The Clean School Bus Program has also made efforts to support recipients in managing their projects and implementation within the two-year project period, including:

- Conducting regular stakeholder engagement with school bus manufacturers about supply chain interruptions or production delays that could impact project timelines.
 - Working closely with the Joint Office of Energy and Transportation to help recipients resolve technical issues with new buses, charging equipment, or utilities. This includes proactively reaching out to 2023 Rebate recipients to ask if they would like assistance in planning for purchasing and deploying their new buses and/or infrastructure, as well as initiating site visits to school districts that require additional support with successfully deploying their new buses (e.g., school districts that have reached out to EPA requesting assistance with new bus operations).
 - Proactively reaching out to recipients to remind them about upcoming deadlines and sharing information about how to request extensions if needed.
 - Carefully reviewing and considering requests for extensions on a case-by-case basis and encouraging selectees that receive an extension to reach out to the Joint Office of Energy and Transportation for assistance with working with vendors and/or utilities to ensure deployment of new buses and any charging infrastructure funded by the EPA.
- Planned Completion Date:** Reminder to 2023 Rebate recipients about interest policy will be sent on a rolling basis as funds are approved for disbursement, starting in Fall 2024. A plan to address any interest that 2022 Rebate recipients may have earned on advances is expected by March 31, 2025.

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.

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