

South Coast Air Quality Management District

Policies and Procedures Manual

for Administration of the
**Carl Moyer Memorial Air Quality Standards Attainment
Program**

(CARL MOYER PROGRAM)

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SECTION 1: PURPOSE

- A. It is the policy of the South Coast Air Quality Management District (SCAQMD) to reduce air pollutant emissions by incentivizing the accelerated turnover of old, polluting on- and off-road vehicles and equipment with cleaner technologies through participation in the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program, or CMP).
- B. The policies and procedures set forth in this document govern the SCAQMD process for awarding of CMP funds by the Science and Technology Advancement Office (STA) and are developed in accordance with the 2017 CMP Guidelines.
- C. This document incorporates appendices that support the Policy for Clean Air Incentive Contracts, the SCAQMD records retention policy, pertinent forms, samples of CMP documents, organizational chart, and other program and policy information.
- D. The execution of this policy is the function of the Executive Officer (EO), the Deputy Executive Officer (DEO) for STA, and any other responsible officer as identified in this policy.

SECTION 2: GOVERNING BODY AND APPLICABLE LAWS

- A. SCAQMD is organized pursuant to Chapter 5.5, Part 3, Division 26 of the Health and Safety Code (Health & Safety Code).
- B. The governing body of the SCAQMD is a Board of Directors composed in accordance with Health & Safety Code Section 40420 ("SCAQMD Board").
- C. Under Health & Safety Code Section 40489, the SCAQMD may contract for professional assistance as may be necessary or convenient for the exercise of any duty imposed on the SCAQMD under law.
- D. Health & Safety Code Sections 43023.5, 44091.1, 44229, 44275, 44280, 44281, 44282, 44282.5, 44283, 44286, 44287, 44287.1, 44287.2, 44288, 44290, 44291, 44295, and 44296 provide the parameters for the administration of the CMP.
- E. The CMP Guidelines, adopted by the California Air Resources Board (ARB), provide additional parameters for administration of the program and call upon individual air districts to adopt policies and procedures for the administration of the CMP. ARB revises the CMP Guidelines periodically. These policies and procedures reflect the requirements of the CMP Guidelines adopted by the ARB in April 2017. The SCAQMD began use of the 2017 CMP Guidelines with its CMP Year 19 implementation; these guidelines were subsequently applied to Year 20 and Year 21 CMP implementation.

SECTION 3: ROLES AND RESPONSIBILITIES OF SCAQMD PERSONNEL

The Deputy Executive Officer (DEO) for STA, including the Technology Implementation Manager, Program Supervisors and Project Officers (PO), shall have primary responsibility for implementing all aspects of SCAQMD's CMP, including ARB funding solicitation response; project solicitations, evaluation, selection and inspection of projects; and obtaining Governing Board approval for program participants and selected projects. DEO and STA staff are responsible for CMP implementation in accordance with this Policy and Procedures Manual (P&P Manual), as set forth in the P&P Manual. In addition, SCAQMD support for the CMP is provided as follows:

- A. The Manager of the Procurement Section (Finance) shall be responsible for:
 - 1. Assisting STA to ensure proper implementation of this policy and the Policy for Clean Air Incentive Contracts (Appendix L);
 - 2. Assisting STA in the review of Program Announcements (PAs) to ensure compliance with all policies before public release of the PA;
 - 3. Assisting STA in publication of PAs; and
 - 4. Reviewing STA CMP contracts and awards to ensure compliance with all policies and applicable laws.

- B. The SCAQMD Controller is responsible for final review, approval, payment and reconciliation of grants received and amounts disbursed by each grant year on all CMP invoices.

- C. The District Counsel shall be responsible for:
 - 1. Assisting STA in compliance with the legal requirements of the CMP;
 - 2. Providing legal opinions regarding the interpretation of PAs and contract provisions;
 - 3. Reviewing STA CMP contracts and awards and approve as to form; and
 - 4. Representing the SCAQMD in all litigation over implementation of this policy.

- D. The Manager for Contracts & Outreach in STA shall be responsible for:
 - 1. Coordinating outreach efforts for STA incentive programs, including but not limited to, communicating with Legislative & Public Affairs/Media Office in the development of outreach collaterals, brochures, pamphlets, video and social media postings.
 - 2. Coordinating outreach efforts with Planning, Rule Development and Implementation Office on AB 617 initiatives related specifically for mobile source and STA related projects.

SECTION 4: ARB CMP AWARD PROCESS

A. ARB Award of Funds

Each year, the ARB determines the tentative awards for each air district in accordance with the formula identified in Health & Safety Code Section 44299.2.

B. ARB Solicitation Process

The ARB sends a solicitation packet to the SCAQMD EO (typically in mid-September of each fiscal year) notifying the SCAQMD that CMP funds are available. The packet will include an application form, the tentative allocation of CMP funds for each air district, including project and administrative funds, and the amount of match funds that will be required.

The application packet must be completed by SCAQMD and submitted to ARB by the posted deadline, which is typically 60 calendar days from the date of the solicitation letter. The completed application packet must include:

1. The completed application with original signature of the EO;
2. Match funds commitment;
3. Board resolution;
4. Plan for obligating the grant funds; and
5. Certification that SCAQMD is maintaining its CMP P&P Manual.

Detailed requirements for each of these items are included in the Program Administration section of the CMP Guidelines. The STA Technology Implementation Manager and/or Program Supervisors are responsible for the preparation of the SCAQMD application to ARB. The Technology Implementation Manager or Program Supervisors may assign responsibility to other staff to complete individual portions of the application. The completed application packet is reviewed by the STA's Technology Implementation Manager, ADEO and DEO, then forwarded to the EO for final review and signature. A copy of the application is filed in the appropriate CMP fiscal year binder in the STA central filing area and a scanned copy retained electronically in a central shared file folder.

C. Grant Award and Authorization

Final awards are determined by ARB based on applications for funds received from the air districts. The awards are incorporated into a Grant Award and Authorization (or Grant Agreement), which specifies the amount of the award including the administrative funding allocation, the required amount of match funds if applicable, any Special Terms and Conditions, and General Terms and Conditions for the grant. Two original copies are sent to SCAQMD. After the grant award is reviewed by SCAQMD staff, the EO signs both original copies. One signed original is returned to ARB and the other signed original is placed in the appropriate year CMP binder in the STA office and a scanned copy retained electronically in a central shared file folder. The deadline for the acceptance of the grant award will be specified in a cover letter sent with the Grant Agreement.

D. Funding Disbursement Request

Upon execution of the Grant Agreement, the SCAQMD will submit a Grant Disbursement Request to the ARB for the of 100% of the administrative funds. The total cost of the projects listed must be equal to or exceed the amount of the disbursement request. Grant awards and disbursements are further described in the Program Administration section of the CMP Guidelines.

E. Match Funds

SCAQMD will commit to the required match funds equaling 15% of the Moyer Program funds that will be received. The SCAQMD's match is typically provided through AB 923-funded projects. These projects are administered in the same manner as CMP projects and are managed by the Technology Implementation staff.

F. Receipt of Funding

When ARB receives Disbursement Request(s) and verifies that all requirements have been met, the ARB authorizes the State Controller to issue a check for the funding. The funding is entered into the SCAQMD's financial reporting system by Finance.

Any CMP funds provided by the State of California that are deposited in interest bearing accounts must be reported to ARB. The interest income must be used to fund projects that meet the current CMP Guidelines. The SCAQMD deposits CMP funding in an interest-bearing account. The interest earned is placed in the CMP fund and reported by Finance to STA staff.

G. Administrative Funds

Under the CMP Guidelines and the Health & Safety Code, funds are set aside by ARB to assist air districts with program administration costs. Districts are allowed to use up to 6.25% of their CMP funds on program outreach and administration. Allowable indirect and travel costs and per diem rates are described in SCAQMD Administrative Code, Section 120, which is included in the Appendix J to this document. Administration and outreach costs and documentation follow guidance provided in CMP Guidelines, Table 3-4.

1. Certain expenditures are allocated over the relevant work program codes since they are needed to support the SCAQMD but are not directly related to any particular work program code. These include District General expenses, office overhead and SCAQMD-wide allocable costs.
2. District General expenditures are overhead costs and include utilities, building maintenance, communication, insurance and principal and interest payments on SCAQMD facilities. District General costs are allocated to each work program line based on Full-Time-Equivalent Staff (FTEs).
3. Office overhead expenditures are for administrative activities that serve the office solely. These are prorated over work program codes within the office based on FTEs in the office.

4. SCAQMD-wide allocable expenditures are for administrative activities that serve all SCAQMD programs. SCAQMD-wide administrative and support service costs include, but are not limited to, Finance, Information Management, Human Resources and Payroll. These expenditures are prorated across all SCAQMD program expenditures.
5. Program expenditures are tracked by Finance. These records are retained for five years in Finance Department files.

SECTION 5: CO-FUNDING CMP PROJECTS WITH OTHER FUNDING SOURCES

Senate Bill 513 (Beall, 2015) provides new opportunities to co-fund Moyer Program projects with other funding sources. All co-funded projects must adhere to the Moyer Program objective to achieve cost-effective and surplus emission reductions to be credited toward California's legally enforceable obligations in the SIP. There is no limit on the number of co-funding sources to fund a project as long as total project costs are not exceeded, and the applicant cost share requirement is met.

A. Applicant Cost Share

An applicant that is not a public entity must provide at least 15% of a project's Moyer eligible cost from non-public sources. The applicant cost share cannot be covered through in-kind contributions.

B. Waiver Request

SCAQMD may request a case-by-case determination from ARB to waive all or part of an applicant's cost share, in accordance with Chapter 3, Section U of the Carl Moyer Guidelines. The waiver request must identify the source(s) and amount(s) of the proposed project's funding and explain the reasons for the cost share waiver, discussing at a minimum either or both of the following factors:

1. The public benefit of the project that is above and beyond the emission reductions achieved;
2. How the project will advance newer and cleaner technology.

C. Applicant Disclosure and Payment

Applicants must disclose all sources of funding applied for at the time of the Moyer project application, and again when submitting each invoice. SCAQMD will not issue payment of Moyer Program grant funds until all funding sources have been identified and verified to ensure the sum of the grants awarded to the project, including both Moyer and non-Moyer funds, does not exceed the total project cost.

SECTION 6: CMP SOLICITATION PROCEDURES

A. General

SCAQMD staff follows its Policy for Clean Air Incentive Contracts (Appendix L), pertinent provisions of the Health & Safety Code, and the CMP Guidelines to conduct solicitations for CMP projects. SCAQMD utilizes two solicitation methods, both utilizing a PA, for the CMP. These include (1) a competitive solicitation to solicit applications for eligible projects on an annual basis for eligible source categories, and (2) a first-come, first-served solicitation for the Voucher Incentive Program (VIP). The criteria for using either of these solicitation methods are set forth in the attached Policy for Clean Air Incentive Contracts. Implementation of these policies and procedures do not vary by source category.

B. Eligible Source Categories

Project source categories supported by the SCAQMD's CMP include on-road heavy-duty vehicles, off-road equipment, cargo-handling equipment, locomotives, marine vessels and infrastructure.

C. Alternative Fuel and Zero-Emission Technologies

The SCAQMD encourages the use of alternative fuel and zero-emission technologies. A solicitation may limit funding to only alternative fuel and/or zero emission projects in certain categories. Specifically, SCAQMD does not allow diesel-to-diesel projects in the on-road category and portable/stationary agricultural projects are not eligible projects under the off-road category. In addition, the SCAQMD may utilize a more stringent cost-effectiveness threshold for some categories than that allowed in the CMP Guidelines. The solicitation categories, funding, and cost-effectiveness criteria are approved by the SCAQMD's Governing Board as part of the solicitation and award process. Specific project selection criteria are included in the PA.

D. Timeline for Solicitation

In the case of a competitive solicitation utilizing an RFP or PA, approximately two to three months from the date of solicitation release to application due date is allowed. In the case of a first-come, first-served solicitation utilizing a PA, applications are accepted from the first day of the announcement to the final day for application submittal, as detailed in the PA.

E. Outreach Activities

SCAQMD pursues a variety of outreach activities to ensure that all interested parties are aware of CMP funding opportunities. SCAQMD staff conducts workshops throughout the South Coast Air Basin. In addition, staff attends conferences and meetings to make CMP presentations and sends out e-blasts to entities listed in the STA contactor stakeholder database and entities subscribed to the program through SCAQMD website's sign-up page. SCAQMD maintains a dedicated webpage on the SCAQMD website for the Carl Moyer Program (www.aqmd.gov/moyer). Each solicitation utilizing a PA is posted on this website and may be downloaded by interested parties. Solicitations are also noticed in various publications.

F. Third Party Applications

In accordance with the CMP Guidelines, third party applications are not allowed. The owner of the vehicle/equipment must sign and agree to the application. However, a third party such as consultants, engine dealers or distributors may complete an application or part of an application on an owner's behalf. Applications with third-party support must also be signed by the third party, in addition to the owner of the vehicle/equipment. The third party must also indicate the amount they are being paid to complete the application and the source of funding for this payment.

G. Application and Project File Retention

Applications for unfunded projects must be kept a minimum of two years following the solicitation period. In addition, all CMP project files are kept for the life of the project, plus three years (i.e., for three years past the contract term); all files are stored in a secured location within the SCAQMD facility.

H. SCAQMD Grant Documentation Retention

Grant receipts and expenditure documents including invoices, contracts, vouchers, personnel and payroll records should be retained for five years after the grant liquidation period or the last recorded grant transaction, whichever is later.

SECTION 7: APPLICATION EVALUATION AND PROJECT AWARD

A. Minimum Requirements

All projects must meet the minimum requirements as stated in the PA, the CMP Guidelines and ARB CMP Advisories. A sample solicitation package, including application forms, is included in Appendix A.

B. Application Review

The Technology Implementation Manager assigns applications to individual Project Officers for review based on subject area expertise and workload. Project applications are first screened for completeness and eligibility. Applicants are notified in writing within 30 business days of application close date if their application is not complete. This notification is referred to as the "30-day letter" and it identifies missing application information and the associated submission deadline. A sample 30-day letter is provided in Appendix D.

Project Officers utilize a variety of resources to make this determination, including CMP Guidelines (including any ARB advisories/mail-outs), current ARB Fleet Rule Implementation Charts ("green charts"), and existing SCAQMD and state rules and regulations. Project Officers may consult with other divisions of the SCAQMD, such as Planning and Rules, to verify that the applicant is in compliance with district rules and regulations. Project Officers may contact the ARB liaison for assistance in interpreting CMP Guidelines or regulatory compliance. SCAQMD will submit a request for a compliance check, as required, for on-road projects to verify eligibility. SCAQMD verifies that all applicants have provided the required documents to determine the compliance status with respect to applicable ARB rules and

regulations. If the compliance status is uncertain, SCAQMD staff will consult with ARB staff to verify if the fleet is in compliance. For those fleets that are not in compliance, SCAQMD staff will serve as a liaison between the fleet and ARB staff to verify any compliance issues and work to resolve the compliance status as that the fleet may be eligible to be awarded the Moyer grant funds.

In light of recent legislative guidance to prioritize disadvantaged communities, the CMP management team will assess overall demand for the program and if necessary, shall establish high level screening criteria to filter for projects that will reduce emissions in priority communities (i.e., disadvantaged communities, low income communities, and low income communities located within a ½-mile radius of a disadvantaged community). For projects that pass this initial screening and are deemed eligible for CMP funding, Project Officers carefully evaluate application information and documentation to determine if the project is subject to any rule, regulation, or memorandum of understanding (MOU) that would impact project eligibility and to ensure the project meets CMP requirements.

Another key step is the review of historical usage records that document at least 24 months of operation (for the 24 months immediately preceding the date of application). The types of acceptable documentation for establishing historical annual usage are prescribed in the CMP Guidelines for each project category and may include, but not be limited to, usage logs, maintenance records, fuel logs, purchase receipts, ledger entries, etc. that provide periodic mileage odometer or hour-meter records. Additional forms of historical annual usage documentation not listed herein can be submitted to ARB for case-by-case consideration.

SCAQMD utilizes both an internal calculation/application evaluation spreadsheet and ARB's CARL Database for the calculation of each project's emission reductions and associated cost effectiveness. Spot checks may be conducted by an independent contractor or other SCAQMD staff for the completeness and accuracy of project data. SCAQMD has coordinated with ARB CARL staff to ensure consistency between spreadsheet results and CARL results; this is reassessed each time ARB implements CARL updates.

In cases where CARL is used to calculate the emission reductions and associated cost effectiveness, CARL results are loaded into the evaluation spreadsheet for project ranking purposes.

For projects that deviate from CMP Guidelines, the SCAQMD may choose to request a case-by-case review from ARB (See Section 7.G).

STA staff utilizes the evaluation spreadsheet to assess projects for their disproportionate impacts (environmental justice ranking), including if the project will benefit a disadvantaged or low-income community and cost effectiveness. This assessment results in a sorted, or ranked, evaluation spreadsheet, at which time it is renamed as a "master" (to capture the official staff project recommendations). The

final master spreadsheet is placed on SCAQMD's shared computer drive after SCAQMD Board approval of the projects. It may be accessed by the Project Officers to check information when reviewing annual report data, approving invoices, etc. The Technology Implementation Manager and Program Supervisors oversee the final master spreadsheet. A copy of the final master spreadsheet is maintained in the SCAQMD's computer system by project year and may be accessed at E:\tech_adv\CARL MOYER. This spreadsheet is a snapshot of the state of the project evaluation cycle for each CMP year, but final project details are only considered official in the CARL database. POs are to maintain the official project file to be consistent with the project's CARL project data.

C. Project Selection

Once applications are evaluated for eligibility CMP requirements, the project selection process relies on two primary considerations, as discussed below:

1. *Disproportionately Impacted Areas*: Health & Safety Code section 43023.5 requires that districts with greater than one million inhabitants must allocate at least 50% of their CMP funding in a manner that directly reduces air contaminants or associated public health risks in communities with the most significant exposure, including but not limited to low-income communities and communities of color that are disproportionately affected by air pollution. Additional criteria are included in the SCAQMD's STA Policy for Contracting and Awarding Program Funds. Within this criterion, projects are ranked by cost effectiveness, in order of most to least cost effective.
2. *Cost Effectiveness*: All remaining applications not selected for an award recommendation under the 50% disproportional impact criterion are then ranked based on cost-effectiveness for each source category. The amount of funding allocated to each source category reflects SCAQMD policy priorities at the time of project selection.

In accordance with the 2017 CMP Guidelines, SCAQMD will use the two-tiered cost-effectiveness approach for projects that involve advanced technologies. The primary cost-effectiveness limit is \$30,000 per weighted ton of covered emission reductions. For advanced technology projects that are zero emission or, alternatively, meet the cleanest optional standard level certified, SCAQMD may apply the two-tiered methodology to determine cost-effectiveness, including a second-tier cost effectiveness limit of up to \$100,000 per weighted ton for the increment of reductions that would be achieved beyond current standards. SCAQMD may assign a more stringent cost-effectiveness limit to a particular category of funding. Cost-effectiveness caps for individual categories are approved by the SCAQMD Technology Committee and Governing Board and included in the CMP solicitation. Documentation of the disproportionately impacted areas in SCAQMD's jurisdiction is managed and maintained by the staff air quality specialist in the Planning Division.

D. Back-Up Projects

Projects are selected for funding until available program funding has been allocated. STA staff creates a “back-up list” of projects that meet the minimum selection criteria but were not selected because of program funding constraints. If selected projects are not completed, STA staff selects projects from the back-up list. The Chairman of the Governing Board or Executive Officer (under delegation) has authority to execute contracts from the back-up list without seeking subsequent Board approval to ensure that all funds are fully encumbered, expended and liquidated within required timeframes.

E. Timeline for Award of Contracts

Once projects are selected for awards, the project list will be subjected to Governing Board approval during the fourth quarter of the calendar year. After Board approval of the selected projects, SCAQMD Project Officers begin the preparation of contracts during the first quarter of the subsequent calendar year. The contractor is allowed 60 days from the date the contract is sent out for signature to return a signed contract back to the SCAQMD, where the contract will then be subsequently executed by the Chairman of the Governing Board. The contractor will be able to begin work upon contract execution.

F. Multi-District (State Reserve) Funding

ARB reserves 10% of the total Moyer Program funds each year to directly fund projects that include sources that are covered by the Carl Moyer Program. ARB used to refer to these funds are “multi-district” funds, however since 2017, these funds are now referred to as State Reserve. State Reserve projects are processed and administered in the same manner as standard SCAQMD CMP projects.

G. Other Projects

Occasionally, an application is received that does not meet general CMP Guidelines. The CMP Guidelines contain provision for submitting these projects to ARB for “case-by-case” consideration. Any proposed project falling into this area must be brought to the attention of the Technology Implementation Manager for approval to contact ARB. SCAQMD staff will utilize an independent consultant, as necessary, in presenting the project to ARB. If ARB approves the proposed project, written documentation of ARB’s approval and its associated conditions shall be included in the project file.

H. Case-by-Case Determination

To be considered for a case-by-case determination for a project, a summary of the request and reference(s) to the pertinent area(s) of the Guidelines shall be submitted to ARB. Supporting documentation for the ARB request shall include, but not be limited to, baseline and new engine information, the associated ARB engine Executive Orders and/or United States Environmental Protection Agency Certificates of Conformity for baseline and new engines, and other related applicant information from a completed application. Other information and documents may be need as requested by ARB staff. All case-by-case determinations submitted for review will be

made available to the public via web posting at ARB's CMP website. A copy of the determination, regardless of outcome, shall be placed in the project file.

SECTION 8: ON-ROAD

All on-road applications submitted for funding under the CMP will be evaluated according to the Carl Moyer Guidelines. No project will be funded that does not meet the requirements specified in On-Road Vehicle Source category chapter of the Carl Moyer Guidelines.

A. Dismantler Agreement

SCAQMD will use the existing Voucher Incentive Program and the Proposition 1B Goods Movement Program DMV certified dismantler list and invite the dismantlers to periodic training workshops. An agreement will be executed with each approved dismantler. A copy of the agreement is in Appendix I.

B. Compliance

Prior to contract execution, participants are pre-screened for regulatory compliance, outstanding violations, open cases and previous funded project. Fleets must be in compliance to qualify for CMP funding.

1. Fleets Subject to the Trucks and Bus Regulation must provide the following:
 - a) A copy of the TRUCRS fleet list located on the vehicle information tab.
 - b) A copy of TRUCRS General Fleet and Compliance Information Summary showing compliance located on the compliance status tab.
 - c) A copy of the compliance certificate printed from TRUCRS.
2. Fleets Subject to Drayage Truck Regulation, a copy of the DTR Compliance Search Page printout showing VIN and compliance status.
3. Vehicles Subject to Other On-Road Regulation
 - a) Fleet information will be submitted to ARB Moyer Program district liaison to check compliance with other regulations such as the Public Agency and Utility Regulation.
 - b) A statement indicating applicant's compliance with all federal, State and local air quality rules and regulations including Periodic Smoke Inspection Program (PSIP) at the time of application submittal. The applicant must also indicate if they are not currently in compliance with PSIP requirement to have paid all penalties for non-compliance and continue to meet requirements since payment.

C. Inspections

As shown in the table below, the following inspections will be performed for each funded engine/vehicle (exceptions are allowed for public fleets and transit agencies as specified in the Carl Moyer Guidelines):

Inspection Type	Purpose(s)	Timing
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Pre-Inspection	Verify existing vehicle is in operational condition Verify existing vehicle application information	After application is submitted to air district but prior to approving the application.
Post Inspection	Verify replacement vehicle meets emission standard Verify application information	Before replacement engine/vehicle is delivered, and prior to payment being issued.
Pre-dismantle inspection (On-Road Replacements Only)	Verify existing vehicle is in operational condition and has not been stripped of parts (except those allowed in CMP Guidelines Section C.4.(J)) per Section C.7.(F) Verify existing vehicle application information	After existing truck is delivered to dealership before payment is issued. Existing truck is at dealership location and must be delivered to dismantler within 60 days
Dismantle inspection	Verify engine destruction (per CMP Guidelines Section C.8.(C)(4)) Verify that frame rails are completely severed Obtain copy of REG 42 form filed with DMV	After engine and frame rail destruction. Within 60 days after dismantler receipt. If dismantler takes photos, they must be provided to the district within 10 business days of dismantling

In light of the pandemic of 2020, ARB had approved Remote Inspection Procedures to ensure the safety of staff and the public during the inspection process (Attachment O)

D. Monitoring and Enforcement

SCAQMD's monitoring and enforcement policies are listed in Section M and P of the Policies and Procedures. In the event the contractor will return Carl Moyer funds the following formula will be applied:

$$\text{Recapture Amount (\$)} = \text{Funding Amount (\$)} - (\text{Elapsed Portion of Project Life (Yrs)} * \text{Funding Amount (\$)} / \text{Project Life (Yrs)})$$

SECTION 9: SURPLUS OFF-ROAD OPT-IN FOR NOx PROGRAM

The SCAQMD opted-in to Title 13, California Code of Regulations (CCR), Section 2449.2 - Surplus Off-Road Opt-In for NOx (SOON) Program, on May 2, 2008. The SOON program is part of a control measure in the 2007 State Implementation Plan adopted by ARB. Through the SOON program, incentive funds including CMP funds may be used to achieve additional NOx reductions beyond those required by the Off-Road Regulation.

The 2008 CMP Guidelines include an option for the CMP funds to be utilized for SOON projects to partially offset the replacement cost of vehicles in addition to repowering existing vehicles. SCAQMD subsequently developed a guideline document, "SCAQMD Rule 2449 – SOON Program Administrative Guidelines", which is included in Appendix B.

Under the SOON program, eligible fleets have the option of using the SOON funding to either repower or replace a piece of equipment. The repower and replacement options have different requirements, and these are outlined in the Off-Road Equipment (Chapter 5) in the 2017 Moyer Program Guidelines.

The SCAQMD SOON program is mandatory for fleets greater than 20,000 horsepower (hp) (statewide) with 40% of hp in Tier 0 or Tier 1 in 2008 (and voluntary for other off-road fleets). This requirement is emphasized in all SCAQMD SOON PAs. However, it will also be noted to off-road fleets that should they choose to apply for SOON program funds and are awarded for replacement and/or repower projects, they will be bound to implement the projects as required by the Off-Road Regulation.

A full description of the requirements, funding criteria and procedures, and program administration requirements is included in the aforementioned SOON Program Guidelines (Appendix B) and the sample PA and associated application forms (Appendix C).

SECTION 10: OBLIGATION OF FUNDS TO PROJECTS AND CONTRACT DEVELOPMENT

A. SCAQMD Board Approval of Projects

Approval of funded projects and back-up projects is accomplished through the SCAQMD Board and its standing Technology Committee, using the standard Board Letter process, and following the SCAQMD's Policy for Clean Air Incentive Contracts.

SCAQMD will contact successful applicants prior to the Governing Board hearing informing them that their projects will be recommended for funding. At the same time, they will be forwarded a Campaign Contribution Disclosure (CCD) Form to be signed no earlier than 30 days before the scheduled Governing Board Hearing date. Signed CCD forms must be returned to SCAQMD seven days before the Governing Board Committee meeting at which the proposed projects are reviewed. Applicants who did not qualify or are ineligible for funding will also be contacted by the assigned Project Officer either during the 30-day letter process described in Section 7 (B) or after the Governing Board hearing to inform them the reason they did not qualify.

B. Conflicts

The contract process is subject to both the California Public Reform Act and Section 1090 of the California Government Code. These laws prohibit a conflict by any

employee or officer involved in the contracting process. STA employees with positions identified in the SCAQMD's conflict of interest code and Governing Board Members must complete a form annually (700 form) identifying his or her financial interests in real property income and business activities, as well as any gifts received.

To prevent a Board member with a potential conflict of interest from participating in the approval of any contract, proposed contracts are checked against the 700 forms prepared by Governing Board Members by the District Counsel's office. Before each Governing Board or Board Committee meeting, District Counsel sends an advice letter to Governing Board Members seeking conflict of interest advice.

In addition, under California Government Code Section 84308, a CCD form must be completed by each contractor and bidder to identify campaign contributions to Governing Board Members by the bidder or by related entities. Those forms are reviewed by District Counsel to identify conflicts of interest.

C. Preparation of the Contract File

Following Governing Board approval of projects, the STA Contract Assistants create the contract file. Initially, this file contains the solicitation and any applicable appendices, Board Letters authorizing release of the solicitation and award of funds, the application, which may contain Project Officer notes, clarifications and documentation during the evaluation process, and any project guidance received from ARB. Additionally, the file must contain documentation of cost-effectiveness, emission reductions and award amount based upon calculations performed by the Project Officer; insurance (workers comp and liability); and any project related correspondence, including correspondence between contractors, SCAQMD staff and ARB, related to this project.

D. Preparation of the Contract Request

Below is the process for development of contracts for project awards:

1. Updated Boiler Plate language is sent for approval through STA management, legal review, as well as the Procurement Manager; if necessary, the updated Boiler Plate language will be sent for further review to the SCAQMD's ARB liaison.
2. The individual project files are distributed to the Project Officers to develop the project-specific Statement of Work (SOW). The SOW consists of project specifications, contractor name and date, notices, funds from other sources, contract term, maintenance, milestones and payment schedule, reporting requirements and schedule, requirement for on-site inspections, audits and records, and repercussions for non-performance. The Contract Assistants check to see that all information in the package is complete, including but not limited to, funding amount and sources, applicable Board Letters, complete project application and milestone dates. If any information or documentation is missing, the STA Contract Assistant informs the Project Officer to update the file. All

information and documentation must be in the contract file prior to contract execution.

3. The Contract Assistants prepare a contract package, including the Contract Request Approval Memorandum (two copies for Procurement, one for office file), solicitation (two copies for Procurement, one copy for office), Board Letter approving the solicitation (two copies for Procurement, one copy for office file), the specific application (one copy for Procurement, one for office file) and the Board Letter awarding the contract (two copies for Procurement, one for office file), work statement, deliverables and project milestones, payment schedule (three copies for Procurement, one for STA office file), and forwards this material to the Procurement Office for contract preparation, using the appropriate CMP contract template.
4. The Procurement Office drafts each project contract, and sets up their own contract file with the documentation provided by STA. The contract is recorded in the Contracts Log, which is an Excel spreadsheet that can be accessed by SCAQMD staff (read only) to check on the status of any contract. The contract is then returned to STA for review and approval by the Project Officer, Program Supervisor, Technology Implementation Manager, STA ADEO and DEO. The approval process also includes the Procurement Manager and Governing Board, and the contract is reviewed and approved as to form by the District Counsel's Office.

E. Contract Execution

1. The contractor is sent two originals of the contract, to be signed and returned to the SCAQMD. When the contract is sent to the contractor for signature, the cover letter (prepared by the STA Contract Assistants) cites a 60-day deadline for return of the signed contract. If the signed original contracts are not returned by that date, the STA contracts staff will notify the assigned Project Officer, who will contact the applicant to follow-up. If no response, the contract is cancelled, and another project is selected from the back-up list. Documentation of efforts to contact the contractor will be included in the project file.
2. After the two signed originals of the contract are returned to the SCAQMD, Procurement obtains the signature of the Chair Person of the Governing Board or Executive Officer (under delegation), the contract becomes fully executed. Procurement enters the contract into the PeopleSoft tracking system. This system identifies the vendor, contract amount and source of funds, and other pertinent information. The PeopleSoft system is available to Procurement, Budgets and Accounting, all of which are units of the Finance Office. A hard copy of this information is placed in the Procurement contract file.
3. Procurement sends one fully-executed original contract to the STA Contract Assistants. The STA Contract Assistant sends the fully-executed original copy to the contractor and retains one copy in the contract file.

F. Insurance Documentation

All contractors are required to carry liability and worker's compensation insurance and provide verification of that insurance to the SCAQMD. The contractor is required

to name the SCAQMD as an additional insured on all liability policies and provide an insurance certificate to that effect. The contractor is instructed to include the insurance documentation when returning the signed contracts. Certificate of Liability Insurance documents are requested by the Contracts Assistant or Project Officer if they are not included with the application. A copy is placed in the project file and the insurance certificate is forwarded to Risk Management.

SECTION 11: CONTRACT AMENDMENTS, DE-OBLIGATION OF FUNDS, AND RE-OBLIGATION OF FUNDS

A. General

After a contract is fully executed, there may be a change in the scope or parameters of the project. Changes to the original contract must be made to reflect the new legal obligations of the contractor, and if necessary, to de-obligate program funds so they may be used on other Carl Moyer Projects.

B. Contract Modifications

If the technical terms of a project are modified, such as the type or model of an engine, or if project parameters are modified which affect the funding amount and/or emission reductions, or for instances where the milestone due dates require revisions, a contract amendment must be executed. A request for contract amendment is processed in the same manner as the original contract request. Before beginning a contract amendment process, the Project Officer discusses the need for a modification with the Technology Implementation Manager. If the request is for additional funding and/or the project has changed substantially from its original application, Technology Committee and Governing Board approval may be necessary, and the SCAQMD STA staff will reevaluate the project for eligibility that considers all currently applicable rules and regulations. If the amendment is to reduce funding, extend the contract performance time, and/or modify the make or model year of specific equipment, the EO is authorized to sign the contract. Procurement posts the signed amended contract to the PeopleSoft financial system to ensure that the contract amount is accurate when an invoice is processed for payment.

C. De-obligation of Funds

If a contractor requests to withdraw from the CMP, or seeks to reduce the size of the grant award amount, SCAQMD must take necessary steps to legally de-obligate these funds to make them available for additional CMP projects. In some circumstances the de-obligated funds may need to be returned to ARB. De-obligations are handled through either a contract amendment, contract termination, or letter notification.

1. De-obligation through contract amendment. If the project scope is reduced, the corresponding amount of funding must be de-obligated. This is accomplished through the contract amendment process. The year of funding must be identified

in the Contract Request Approval Memorandum. Once the amendment has been fully executed, Finance will formally de-obligate the funds. The Procurement section of Finance enters the de-obligation information into the PeopleSoft System and notifies the Budget section of Finance of this action. The Budget section then removes the de-obligated funds from the appropriate budget category. Once this is accomplished, the funds are available for re-obligation through the contract process.

2. De-obligation through contract termination. If a contract is terminated before any work is accomplished, funds are de-obligated through a termination letter. The contractor must initiate this process by requesting, in writing, termination of the contract. The letter must include the date termination is requested, the reason for termination, and acknowledgement that project funding is no longer available. Once this request is received, the Project Officer will review the request with the Technology Implementation Manager. If it is agreed that termination is the best approach, the Project Officer will initiate termination via a termination letter. The letter is reviewed and approved by the Technology Implementation Manager. The STA Contract Assistants prepare a Contract Closeout Request Form and identifies the year and source of funding for the contract. This form, accompanied by a copy of the termination letter, is sent to Procurement. Procurement forwards the Contract Closeout Request Form information to Information Management (IM) for final closeout in PeopleSoft. (Information Management is part of the Administrative Office in the Organizational Chart. Appendix K). A copy of the closeout information is forwarded to the Budget section. The Budget section removes the de-obligated funds from the appropriate category of the budget. Once this is accomplished, the funds are available for re-obligation through the contract process.
3. De-obligation through letter notification. If the contractor completes the entire scope of work and the sum of the invoice is less than the contract value, the remaining unpaid balance may be de-obligated through letter notification to the contractor. Moyer contracts contain the payment provision that any unexpended funding will de-obligated from the contract and returned to the SCAQMD. This provision requires contractor acknowledgement and consent upon execution of the contract. The Contract Assistants will prepare the notification letter and it will be reviewed and approved by the Technology Implementation Manager. Once approved, a copy of the letter will be forwarded to the contractor with a copy forwarded to Procurement to facilitate de-obligation of the unspent funds from PeopleSoft. A copy of this letter will also be forwarded to the Budget section to remove the de-obligated funds from the appropriate category of the budget. Once this accomplished, the funds are available for re-obligation through the contract process.

D. Re-obligation of Funds

To re-obligate funds, STA staff selects projects from the back-up list previously approved by the Board. Re-obligation of funds can only occur after Finance has formally de-obligated the subject funding (see above). In order to meet the CMP expenditure and liquidation deadlines, STA staff may proceed with the process of re-

obligation of funds via a new project contract before an amendment to an existing project contract has been fully executed. Although Procurement may begin the contract process at this point, it will not be completed until the de-obligation process has been fully completed. Procurement staff notifies STA staff if there is insufficient funding to proceed with a contract.

SECTION 12: CMP RECONCILIATION AND INTEREST EARNED FUNDS

A. Reconciliation of Funding

1. The Controller and the Technology Implementation Manager are responsible for the funding reconciliation.
2. Reconciliation of funding occurs in several ways within the Finance unit and in cooperation with STA. The Technology Implementation Manager maintains a spreadsheet of all projects and their status. This spreadsheet is updated continuously to reflect payment of invoices, de-obligation of funding and completion of a contract. Finance staff has access to this spreadsheet. The Accounting section of Finance completes a monthly report that reflects monies encumbered, spent and available. Accounting staff uses the STA spreadsheet as a verification tool in the creation of the monthly report. Any discrepancies are immediately reported to the Technology Implementation Manager. In addition, a monthly encumbrance report is created automatically by the PeopleSoft System and is available for viewing by STA staff. Finally, Finance creates a fund condition report reflecting encumbrance status, including de-obligation and re-obligation of funds.

B. Interest Earned on Carl Moyer Funds

The SCAQMD maintains segregated accounts for its incentive programs. Interest calculations for all fiscal programs, including the CMP, are performed by the Los Angeles County Treasury Department based on average daily balance. The SCAQMD receives interest reports from the County, according to specific fund accounts. Finance staff manually calculates the interest allocation for each sub account. The SCAQMD uses the fiscal year methodology to track and report earned interest. The SCAQMD segregates its CMP funds into separate accounts for program administration and CMP projects. The SCAQMD uses all interest earned in the project account to fund eligible CMP projects and may use interest earned in the program administration account for either CMP administration or CMP projects.

SECTION 13: PROJECT MONITORING

A. General.

Pre- and post-inspections are performed for each project. Each source category has a pre- and post-inspection report (Appendix E). This ensures that there is a complete and accurate record of both the existing and replacement engine/equipment that can

be referenced during the invoice approval process, and during audit. Inspection reports are given to the Project Officers for review and approval. If there are discrepancies with the reports, the Project Officers will contact the contractor and request a follow-up inspection if necessary. Inspection forms and printout of digital photographs will remain in the project file. The inspection form, along with all pre- and post-inspection photos, is maintained in the project file. Air Quality Inspectors perform inspections. All staff performing inspections must be trained and equipped with appropriate safety gear.

B. Pre-Inspection of Equipment

Due to the high volume of projects in the SCAQMD, ARB authorized the SCAQMD to perform pre-inspections after contract execution, if necessary (Appendix N). Appropriate language is included in the project contracts to indicate that the contract may be modified or cancelled based on the results of the pre-inspection. If such a circumstance should occur, the contractor would be notified in writing, in accordance with the notices clause of the contract.

Air quality Inspectors assigned to the CMP perform project monitoring such as pre-, post- and dismantle inspections of each project. These inspections are initiated by the Project Officer by entering the request in a shared Excel Spreadsheet titled Inspection Request Log. This log includes information such as the contractor's name, address, and type of equipment, pre- and post-inspection as well as the priority of the inspection, such as urgent or routine. Once this information is in the log, the inspectors respond to and schedule these inspections with the contractors. Documentation photos are taken during the inspection. If the engine plates are illegible or missing, the engine will be uniquely labeled by having the engine block stamped with a Moyer Program number or other permanent marking such as a new engine tag. Other methods of marking the engine with a unique identifier, such as using a paint marker, may be acceptable as determined by the inspector performing the inspection. Please note the inspector must be able to verify (by the engine tag or other acceptable documentation) all of the required engine information to pass the inspection. The inspection may be conducted at the contractor's place of business, the location where the entire replacement activity takes place, or at the SCAQMD. Once the inspection has been completed, the SCAQMD inspector provides the Project Officer the report to review and approve. Once pre-inspection is approved the report will be filed in the project file.

Requirements for pre-inspection of equipment are detailed in the CMP Guidelines. The forms and photos taken are identified and placed in the individual project file.

The SCAQMD may choose to allow public fleet applicants to provide documentation of engines and its use in lieu of a pre-inspection.

The SCAQMD may enter into a Master Agreement (see Appendix F) with a vehicle or equipment dealer to pre-inspect and post-inspect both on-road and off-road projects. All other projects will be pre-inspected by SCAQMD inspectors. For

retrofit, repower or conversion projects, verification of the correct installation of retrofit devices or engines are performed by SCAQMD inspectors at the time of post inspection.

C. Post-inspection of Equipment

Post inspection occurs after each piece of equipment is repowered, retrofitted, converted or replaced and is performed by SCAQMD Inspectors or its designees. The inspection usually takes place when an invoice is received, but the contractor may contact the SCAQMD Project Officer to schedule the post inspection prior to invoice submittal. The inspection is scheduled in the same manner as the pre-inspections. The requirements for post inspection are detailed in the CMP Guidelines. The completed inspections will remain in the project file until invoices have been processed. The inspection form is circulated with the invoices as documentation of the completed work. Photos are identified at the time of inspection and placed in the project file.

Per 2017 CMP Guidelines, in the case of public fleets and transit agencies, where more than 20 of the vehicles in the fleet are included in the project, the SCAQMD is not required to post-inspect each replacement vehicle but must inspect no less than five percent of the vehicles included in the project.

D. Electronic Monitoring Units

SCAQMD reserves the right to install an electronic monitoring unit (EMU) on any equipment if deemed essential to monitor the location of operations of that specific equipment. The EMU includes a geographic positioning system (GPS) unit, transponding device, and automated vehicle locator (AVL), to track activity and geographic location. CMP funding pays for the cost of purchase and installation of the EMU and any associated hardware and software. For equipment that SCAQMD selects to install an EMU:

1. When a piece of equipment is placed in service, the contractor is contacted to schedule the EMU installation. The installation is handled by SCAQMD's third-party contractor who installs the EMUs at a location agreed upon by both the contractor and the installer. The third-party contractor is responsible for purchase and installation of the EMU and any associated hardware and software, which will be reimbursed by SCAQMD not to exceed the EMU funding amount delineated in the contract.
2. The EMU and all associated hardware, including lockbox and antenna, shall be in operation for the project life of the contract. SCAQMD will collect GPS monitoring data in an electronic report format through web-based software installed by the third-party contractor.
3. As needed, STA staff will download the EMU reports for review and compare the data to the annual reporting submitted by the contractors to ensure that the operational boundaries are consistent. If discrepancies are noted, the Project Officers will contact contractors as necessary.
4. Each report transmission shall include a minimum of:
 - a. Vehicle/engine identification

- b. Date of download
- c. Total accumulated miles within SCAQMD boundary
- d. Total accumulated engine run hours within SCAQMD boundary

E. Engine Destruction

The existing (old) engine must be destroyed and rendered permanently unusable and irreparable, consistent with the requirements in the source category chapters of the CMP Guidelines and with SCAQMD Policies and Procedures Manual. This is accomplished by cutting a hole in the engine block with the diameter specified in the source category chapter at the narrowest point. For example, off-road engines require a diameter of three (3) inches and locomotive engines require a diameter of eighteen inches. The hole must be irregularly shaped and sever the frame completely.

The destruction of the engine must be documented by SCAQMD staff. Project Officers must verify either in-person or through photographic or video evidence that the destroyed engine serial number matches that on the project contract. Air Quality Inspectors must verify that engines without a visible and legible serial number are uniquely identified by the correct district stamp or other permanent marking prior to engine destruction.

F. Existing Equipment Destruction Requirements

Equipment replacement requires that the existing high-emitting equipment be scrapped to permanently remove it from service. Destruction of the equipment may occur at an air district approved salvage yard or another facility.

1. Funding is not available for the salvage of any existing equipment.
2. The existing equipment salvage value will be negotiated between the participant, the dealership, and the salvage yard.
3. The old equipment must be destroyed within 60 days of being replaced. The old equipment needs to be destroyed or rendered useless by destroying the engine block as described in Section E, and by compromising the structural integrity of the equipment. This may be achieved by cutting the structural components of the equipment or another manner to be approved by SCAQMD.
4. Documentation of the equipment's destruction shall be provided to the SCAQMD within 10 days of destruction.
5. SCAQMD may enter into an agreement with a DMV certified dismantler. Along with the destruction of the vehicle the following conditions must be met:
 - a. The old equipment and engine must be destroyed within 60 days of receipt of the replacement equipment in accordance with the program guidelines.
 - b. Provide the SCAQMD with the following photographs:
 - i. Equipment serial number
 - ii. Engine side view
 - iii. Engine serial number either stamped on the block, on the tag, or in a marked in a manner deemed sufficient by SCAQMD inspection staff
 - iv. Destroyed engine block either in-frame or out frame

- v. Cut structural components
- vi. Destroyed attachments, if scrapped
- vii. Other views dependent on the method of equipment destruction
- c. It is SCAQMD's responsibility to ensure that the salvage actually occurs and to obtain a completed certificate of equipment destruction or other similar documentation as defined in SCAQMD's plan.

G. Submittal of False Data and Debarment

Submittal of false data is defined as falsifying information in an application, in the application disclosure statement; or in progress/annual reports, such as falsely reporting engine/equipment usage. Submittal of false data by a contractor may subject the contractor to a number of actions by the SCAQMD. These actions may include, but not be limited to immediate termination of the contract, 100 percent reimbursement of contract funding; and notification to ARB.

If SCAQMD suspects that false information has been provided under any circumstances, the Project Officer should immediately inform the Technology Implementation Manager for further action. The Technology Implementation Manager will refer non-performing contractors to the District Counsel's office. The District Council, in consultation with STA staff and management will determine the appropriate SCAQMD action to be taken.

- H. Project Officers will monitor contract annual reports. If an annual report is incomplete, inaccurate or not received from the contractor on schedule, the PO will make a reasonable attempt to obtain a complete and accurate annual report. If the PO is unable to obtain the report, the PO will identify the project for audit as described in Section 15 below.

SECTION 14: PROJECT FUNDING AND INVOICE PROCESSING

A. General

SCAQMD will make payment up to the award amount approved by SCAQMD Board to the contractor. Payments may be made directly to the dealer or distributor, or to the financing company if the project was financed, only if such payment arrangements are specified in the contract or invoice. For unique projects that involve multiple phases of work to complete the project, SCAQMD may allow partial payments for CMP contracts. Partial payment of a contract must cover the incremental cost of a new engine, vehicle, or piece of equipment that is currently operational in order for project funds for the contract to be considered fully expended as required by HSC §44286(k). An electric agricultural irrigation pump is considered operational for the purposes of this definition once it has been delivered to the project participant and has been connected to the electricity grid.

B. Receipt of Project Invoices

When invoices are received, the STA Contract Unit stamps the invoice with the specific funding account to be charged and assembles the invoice package. The

funding account is indicated in the project file at the time of Governing Board approval of the project. The invoice package consists of the pre-, post- and dismantle-inspection (or destruction) reports, the invoice from the contractor indicating reimbursement to the Contractor or direct payment to the dealership and/or finance company, and proof of payment (copy of cleared check, wire transfer, etc.).

C. Review by STA Project Officer

The invoice and report(s), along with the invoice payment form, inspection forms, and the contract file, are given to the Project Officer for review and approval. The Project Officer reviews the invoice for completeness and accuracy and checks the inspection forms to ensure the pre-, post- and dismantle-inspections have been completed, and that proof of payment is provided. If all the documentation is complete and correct, the Project Officer approves the invoice by signing off on the invoice payment form. Only eligible expenses will be allowed. Charges for equipment and parts on engine re-power projects are only eligible for payment if they are required to ensure the effective installation and functioning of the new engine but are not part of typical vehicle or equipment maintenance or repair. Project Officers should review the CMP Guidelines for details on eligible costs. If the post-inspection has not yet been performed, the Project Officer schedules the inspection and performs it before approving and forwarding the invoice for Program Supervisor approval.

D. STA Approval

Once the invoice package is complete and approved by the Project Officer and Program Supervisor, it is forwarded to the Technology Implementation Manager for review and approval. The Technology Implementation Manager signs the invoice, again ensuring that all the documentation is complete and correct. The invoice is then sent to the ADEO and DEO for review and approval. After complete STA approval, the inspection form is removed from the package and placed in the project file, and the invoice is sent to Accounting for payment processing.

E. SCAQMD Controller's Review and Approval

Accounting reviews the contract funding amount with the invoice request amount and upon verifying funding availability, the invoice is approved and a check is issued and sent to the contractor. SCAQMD considers the check issued when the check is printed. The invoice approval process takes 30-40 calendar days. In cases where the contractor has already expended the money and is requesting reimbursement, it is important that the invoice be expedited as much as possible. The Accounting Unit generates a monthly trial balance on a Generally Accepted Accounting Principles (GAAP) basis. Upon request, this trial balance, which includes the balance sheet, is issued to STA Management. The Budget Unit distributes a monthly report on a budgetary basis indicating account commitments, expenditures to date and balances available. This budgetary report is sent to the Technology Implementation Manager, and STA DEO.

To aid in accounting adjustments and provide districts with more flexibility, CMP Guidelines allow milestones to be tracked cumulatively. Cumulative tracking is performed at the program level - in contrast to the individual project level. Funds received during a given fiscal year must be fully accounted for, but individual projects need not be tied to a given fiscal year for tracking on a cumulative basis.

F. Return of Funds

All contracts must be liquidated within four years from the original date of contract execution. Under no circumstance may the liquidation date be extended beyond four years from the original date of contract execution.

Any funds not liquidated by the required deadline must be returned to ARB. If this situation should occur, the Project Officer must inform the Technology Implementation Manager immediately. The Technology Implementation Manager will make the final determination of the action to be taken. It is the responsibility of STA staff to inform Finance of the need to return funds. Finance is responsible for actual return of funds to ARB.

SECTION 15: PROJECT AUDITS

South Coast AQMD will conduct annual audits of 5% of active projects or 20 active projects (whichever is less), including any audits conducted following unsatisfactory annual reporting as described in the Carl Moyer Guidelines. Projects are randomly selected from the SCAQMD's project tracking reports. Open contracts as of June 30 of each year will be considered. The SCAQMD will audit at least 2 pieces of equipment for projects with 25 or less pieces of equipment, and at least 5 pieces of equipment for projects with over 25 pieces of equipment. Since Carl Moyer Projects have an implementation timeline of 18 months from the date of contract execution, the annual audits may cover multiple Carl Moyer Program Years. The annual audits will aim to focus on projects that have been implemented within the last two years to ensure there isn't overlapping with previous audit periods for the same projects.

The audit includes verification that the engines paid are still operational in the same equipment and meet the mileage, fuel usage, or hours of operation indicated on the executed contract. This is accomplished by checking the serial number of the engine; witnessing the engine operate; and checking the odometer, hour meter/usage device, fuel receipts, or EMU. The field audit is completed by the inspectors. The project officers or inspectors use the Pre- and Post-Inspection and Audit Form to verify the required information. If the information during the audit is inconsistent with the Post-Inspection, the Project Officer forwards the audit to the Technology Implementation Manager with recommendation for corrective action.

SECTION 16: REPORTING AND WAIVER REQUEST

A. Contractor Reporting

All CMP contactors will be required to submit annual reports as specified on the Statement of Work. Annual reporting deadlines, report requirements and format are included in the boilerplate contract language and Statement of Work. Sample of the Annual Report Form is located in Appendix G.

Project Officers will review the annual report for completeness, accuracy, and reported usage. The Project Officer will initial and date the report after review and file the annual report in the project file. If an annual report is incomplete, inaccurate or not received from the contractor on schedule, the Project Officer will make reasonable attempts to obtain a complete and accurate report from the contractor.

Contractors that have not submitted complete required reports will not be granted funds for new CMP projects until all complete reports and supporting documents (if applicable) are submitted.

B. Nonperforming Projects

STA staff will work with nonperforming project Contractors to ensure CMP requirements are met and emission reductions are achieved. Project Officers monitor annual reports to ensure project requirements are being fulfilled. In cases where annual reports demonstrate low usage, Project Officers will contact the contractor and attempt to resolve any issues. Contractors that do not submit their annual report will be contacted through e-mail, phone or mail. If a project's usage does not average out to within 70 percent of the annual usage specified by the contract over a 3-year period (i.e. no more than 30 percent below the stated usage) the SCAQMD shall take appropriate action to ensure the contracted emission reductions are realized. Options for addressing actual usage that is more than 30 percent below the contracted usage requirement may include, but are not limited to:

1. Extend the project contract for additional year(s) to capture the required usage. Project Officers will calculate the hours needed to fulfill the contract usage requirement and begin the process for a contract extension.
2. SCAQMD will make all reasonable attempts to recapture Moyer funds in proportion to the loss in emission reductions.
3. Transfer ownership of the contracted equipment to another entity committed to complying with the contract terms. The Project Officer will work with the Contractor and the potential new owner to complete the equipment contract transfer.
4. SCAQMD may recalculate a project's cost-effectiveness based on the reported decrease in usage. The Project Officer will run the recalculation to ensure the project is still below the cost-effectiveness limit. The Project Officer will monitor the project over the next year to determine if additional actions are necessary.
5. Grant a usage waiver, without penalty, to the engine owner for a defined time period, per Section 16.C below.

C. Waiver Request

The contractor must demonstrate the engine, vehicle, or equipment is not being underutilized in favor of operating other, higher-polluting equipment, and that the

underutilization was due to unforeseen conditions beyond the contractor's control. Waiver may be granted under, not limited to, the following conditions:

1. A decrease in usage due to the economic recession.
2. Unforeseen fluctuations in water allocations
3. Significant land fallowing for off-road agricultural equipment

To be considered for a waiver, the contractor must provide a written request to the SCAQMD along with documentation that substantiates the need for the waiver and verifies that higher polluting equipment is not consequently receiving more use. Acceptable documentation may include:

1. Records documenting hours/gal/or miles usage for each piece of equipment during the period for which the waiver is requested for all fleet equipment/ vehicles such as fuel logs or receipts, maintenance records, rental or lease records and/or DOORS documentation.
2. Additional forms of documentation may be evaluated on a case-by-case basis and are subject to approval by ARB.

All approved waivers shall specify the length of time for which the waiver is valid. All contract reporting requirements shall remain in effect during the life of the contract. All documentation and findings will be signed by the Executive Officer or a designated representative and included in the project files. Notations will be included in the "comments" field of the CARL database for each project that has been granted a waiver indicating the date the waiver was approved and the duration of the waiver. A sample waiver request forms is provided as Appendix H.

D. SCAQMD Reporting to ARB

By June 30 of each year, ARB will prepare and make available a certification form with instructions for completion of the Yearly Report. SCAQMD will complete, certify and submit the Yearly Report by August 29 of each year. The Yearly Report will include but not be limited to the following information as of June 30, which is the end of the past fiscal year:

1. Output generated by the required reports utility of CARL for the default years specified in the utility.
2. Contract execution and liquidation status of Moyer Program funds.
3. A funding summary by project type of non-match projects funded with AB 923 \$2 DMV fees when no SIP credit is claimed. SCAQMD, for projects claiming SIP credit for \$2 DMV fees will report on project details. Projects funded with AB 923 \$2 DMV fees that are not used as match and not claimed for SIP credit, SCAQMD will summarize in the Yearly Report the amounts of such funds expended for each of the project categories.
4. List of projects identified as non-performing and a brief narrative of any related enforcement actions.
5. The portion of match funds to be met through in-kind contributions.

A more detailed discussion of the reports is included in the CMP Guidelines. The Technology Implementation Manager with assistance from the Program Supervisors is responsible for generating each report.

In cases where CMP funds are returned to the SCAQMD due to instances including, but not limited to, contractors requesting to withdraw from the CMP, or seeks to reduce the size of the grant award amount, those returned funds are to be committed to new projects along with the current year's funds in accordance with the current year's requirements. The SCAQMD must include the projects funded with the returned funds in the current year's Annual and Final Reports. For the purposes of progress tracking, such funds are considered expended.

SECTION 17: TRAINING

SCAQMD conducts periodic training for all staff involved in CMP administration and implementation. This training provides an update of any changes to the CMP during the previous year, including legislative changes to the statewide program, CMP Guideline changes, and new regulations affecting the CMP, a review of this P&P Manual, and specific direction regarding work statements, inspections, and invoice approval. In addition, all inspectors are provided training for safety protocols and unique considerations for inspecting equipment at construction sites, ports, and fleet operations. Inspection staff is provided with the appropriate safety equipment, including but not limited to, safety shoes, safety glasses, and hard hats.

SECTION 18: COORDINATION WITH ARB

A. General

SCAQMD staff shall document all correspondence with ARB's CMP staff liaison regarding ARB interpretations, clarification, or guidance on the CMP Guideline language and requirements. All such documentation shall be included in the associated CMP project files.

B. ARB Database

ARB has developed a centralized database for all CMP projects, named the Clean Air Reporting Log (CARL), as ARB's cumulative progress tracking system. Each Project Officer is responsible to log and update project information in CARL for each of their projects.

SECTION 19: STATE OVERSIGHT

In addition to SCAQMD's internal audit responsibilities as delineated in Section 15, ARB conducts oversight of air district programs and may perform on-site monitoring and

audits. Audit of an air district's program may involve other state agencies, such as the Department of Finance and State Bureau of Audits. Audits may be fiscal, programmatic, or both.

SCAQMD uses AB 923 monies as match for the CMP. As such, these projects are subject to the same auditing and oversight requirements and protocols as other CMP match projects.

SCAQMD will implement the CMP in accordance with the 2017 CMP Guidelines and this P&P Manual and will maintain project documentation in a manner that supports cooperation with ARB for period program reviews.

SECTION 20: REVISIONS TO THE POLICIES & PROCEDURES

These Policies & Procedures may be updated or revised by the Executive Officer or his/her representative at any time, as necessary, to reflect legislative direction, revisions to CMP Guidelines, and/or changes in SCAQMD policies and procedures consistent with the foregoing.

SECTION 21: VOUCHER INCENTIVE PROGRAM POLICIES AND PROCEDURES

See Appendix M for the Voucher Incentive Program Policies and Procedure Manual.

Appendix List

Appendix A – ARB Solicitation, Application and Grant Award
Appendix B – SOON Guidelines
Appendix C – SOON PA
Appendix D – 30 Day Letter
Appendix E – Pre- and Post-Inspection Forms
Appendix F – Dealership MOU
Appendix G – Annual Report Forms
Appendix H – Waiver Request
Appendix I – Salvage Yard Agreement
Appendix J – Administration Code
Appendix K – STA Organizational Chart
Appendix L – Policy for Clean Air Incentive Contracts
Appendix M – Voucher Incentive Program Policies and Procedure Manual
Appendix N – ARB Approval to Conduct Pre-Inspections After Contract Execution
Appendix O – Remote Inspection Procedures Approved by ARB