



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.