

# Management Implication Report: Preventing Fraud, Waste, and Abuse Within the EPA's Clean School Bus Program

December 27, 2023 | Report No. 24-N-0013





**OFFICE OF INSPECTOR GENERAL**  
U.S. ENVIRONMENTAL PROTECTION AGENCY

December 27, 2023

**MEMORANDUM**

**SUBJECT:** Management Implication Report: Preventing Fraud, Waste, and Abuse Within the Environmental Protection Agency's Clean School Bus Program

**FROM:** Jason Abend, Assistant Inspector General  
Office of Investigations

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

**Purpose:** The U.S. Environmental Protection Agency Office of Inspector General, through its Office of Investigations, identified concerns regarding the EPA's lack of robust verification mechanisms within the Clean School Bus rebate and grant application process, which led to third parties submitting applications on behalf of unwitting school districts, applicants not being forthright or transparent, entities self-certifying applications without having corroborating supporting documentation, and entities being awarded funds and violating program requirements. As part of our commitment to preventing and detecting fraud, waste, and abuse related to the Agency's programs and operations, the Office of Investigations identified these issues during a proactive review of 2022 Clean School Bus Program awards.

**Background:** The EPA has noted that "school buses travel over four billion miles each year, providing the safest transportation to and from school for more than 25 million American children every day. However, diesel exhaust from these buses can contribute to air quality problems and has a negative impact on human health, especially for children, who have a faster breathing rate than adults and whose lungs are not yet fully developed." The Infrastructure Investment and Jobs Act, or IIJA, Pub. L. 117-58 (2021), provided \$5 billion to the EPA to award grants and rebates to replace existing school buses with zero-emission or low-emission models, which are referred to collectively as *clean school buses*. Specifically, the IIJA appropriated \$1 billion for each fiscal year from FY 2022 through FY 2026 to fund clean school buses. The IIJA provides that the EPA may award the funds directly to recipients in the form of grants and rebates or indirectly to recipients via contracts, so that the contractors distribute the grants and rebates to the recipients. A *grant* is a legal instrument of financial assistance between a federal awarding agency and a nonfederal recipient entity to carry out a public purpose, as authorized by U.S. law. A *rebate* is a payment from a federal awarding agency to a nonfederal entity to subsidize purchases. While rebates are typically provided after a purchase has been made by the rebate recipient, the EPA provides Clean School Bus rebates to selectees prior to their purchase of eligible items.

As of December 2023, the EPA has distributed the first two fiscal years of IIJA funding for the Clean School Bus Program. For FY 2022, as outlined in the *2022 Clean School Bus (CSB) Rebates Program Guide*, [EPA-420-B-22-025](#), issued in May 2022, the EPA provided rebates to eligible entities to subsidize the purchase of clean school buses and eligible infrastructure, such as electric charging stations.<sup>1</sup> In FY 2023, as outlined in the *2023 Clean School Bus (CSB) Grant Program Guide*, [EPA-OAR-OTAQ-23-06](#), issued in April 2023, the EPA announced a grant program that was open for applications from April 24, 2023, through August 22, 2023. Also in FY 2023, as outlined in the *2023 Clean School Bus Rebates Program Guide*, [EPA-420-B-23-032](#), issued in September 2023, the EPA announced a second rebate program, which is currently accepting applications between September 28, 2023, and January 31, 2024.

The IIJA provides that eligible recipients of Clean School Bus rebates and grants include state and local governmental entities that provide bus service to one or more public school systems or that purchase, lease, license, or contract for service of buses; charter school districts responsible for the purchase, lease, license, or contract for service of school buses; Indian tribes, tribal organizations, or tribally controlled schools responsible for providing school bus service to one or more bureau-funded schools or for the purchase, lease, license, or contract for service of school buses; and certain third parties, including nonprofit school transportation associations and eligible contractors, such as original equipment manufacturers, dealers, and private school bus fleets. Eligible entities can request funding for a certain number of clean school buses, although the number varies by year and program type. For the 2022 rebate program, for example, applicants could apply to replace up to 25 buses. And for the 2023 grant program, applicants could request funding for a minimum of 15 buses and a maximum of 50 buses, while third-party applicants could request funding for a minimum of 25 buses and a maximum of 100 buses.

Other program requirements, however, are consistent across year and funding type. For example, for both the 2022 and 2023 rebate programs and the 2023 grant program, the EPA required that school buses eligible for replacement must, at the time of application submission, be operational and have provided bus service to a public school district for at least three days per week on average during the school year, excluding COVID-19-related school closures. Likewise, clean school buses must meet specific vehicle-use requirements to be eligible for funding under the Clean School Bus Program. Replacement buses must generally be intended to serve the school district listed on the application for at least five years from the date of delivery to be eligible for funding.

As the agency charged with implementing the Clean School Bus Program, the EPA must oversee the administration of the program and the effective allocation of the funds. Our investigation

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<sup>1</sup> Per the EPA publication titled *Clean School Bus Program*, [EPA-420-F-22-021](#), issued in June 2021, “school buses travel over four billion miles each year, providing the safest transportation to and from school for more than 25 million American children every day. However, diesel exhaust from these buses can contribute to air quality problems and has a negative impact on human health, especially for children, who have a faster breathing rate than adults and whose lungs are not yet fully developed.”

showed that the EPA uses few mechanisms to verify the accuracy of application contents and relies on the applicant's self-certification of all aspects of the application, including, but not limited to:

- The applicant's status as an eligible entity.
- Satisfaction of vehicle-use requirements.
- The identity of the school district that will be served by the replacement buses.

The EPA also takes steps to ensure that it does not fund multiple applications for replacement buses that will serve the same school district. If the EPA receives multiple applications for bus replacements that serve the same school district, the EPA reserves the right to either disqualify all applications for that school district or to confirm with the school district which one of the applications should be included in the lottery selection process.

**Concerns Identified:** Our investigation of the 2022 Clean School Bus rebate program and the 2023 Clean School Bus grant program identified potential fraud, waste, and abuse. Although we have not yet finished our review of the 2023 Clean School Bus rebate program, as it is still open for applications, our findings likely have applicability to this program as well, given its similarities to the 2022 rebate and 2023 grant programs.

Our initial investigation of its protocols found that the Clean School Bus Program is rife with potentially inaccurate information. We also identified instances in which entities lacking student enrollments applied for and received funding, imperiling the program's principle of equitable resource distribution. A major challenge we identified is that the EPA's lack of clear and established verification protocols for the application process allows applicants to self-certify their eligibility, which could lead to inaccurate information being submitted to the EPA.

During our investigation, the EPA Office of Air and Radiation, which is responsible for implementing the Clean School Bus Program for the Agency, told us that the statutory text and the EPA's implementing guidance do not require applicants to expressly attest to the accuracy and truthfulness of their Clean School Bus applications. In addition, there is no requirement that applicants provide data to support information included in their applications. It appears that completing and submitting an application represents an applicant's self-certification of the information contained within. When accepting applications, the EPA must, therefore, rely on these self-certifications and the applicants' estimates regarding such information as miles driven per year, fuel used, and the buses' current state of repair. The EPA has no mechanism for verifying the accuracy or legitimacy of applicant information. It also has no process for following up during the period of performance to ensure that recipients meet their self-certifications and are eligible to participate in the Clean School Bus Program.

The twin failures of no truthfulness attestation and no verification procedures has already placed IJJA funds at risk. For instance, one 2022 Clean School Bus rebate recipient sought funding for

buses that were ineligible according to program guidance. The *2022 Clean School Bus (CSB) Rebates Program Guide* and related guidance specified that replacement buses must serve “the school district listed on the application for at least five years from the date of delivery.” This recipient’s application did not clearly state that the recipient’s buses would serve an administrative entity with zero students. Through a review of open-source materials, the Office of Investigations found that the recipient identified itself as an administrative entity on its National Center of Education Statistics profile. Because the recipient’s application indicated that the buses would serve a school district associated only with an administrative entity and no students, the replacement buses indicated in the application would not meet this requirement. The EPA’s review of the recipient’s application did not, however, identify this issue, and the recipient was selected to receive a rebate. We identified additional issues regarding the recipient’s application documents that related to the maintenance and identification of the buses to be replaced. Specifically, the recipient did not retain vehicle-use records—such as daily use logs, number of miles driven, amount of fuel consumed, and vehicle operational condition—in a manner that allowed it to support its application.

We identified other rebate recipients that were awarded Clean School Bus Program rebates that the eligible school district or school board later declined. Specifically, we discovered instances in which the EPA allowed eligible contractors to apply, or initiate an application, on behalf of eligible entities without their knowledge. The eligible entities then withdrew the applications made on their behalf. Total withdrawals from the 2022 Clean School Bus rebates, including those school districts that withdrew because a contractor applied without their consent or knowledge, were in excess of \$38 million. When a recipient withdrew from the rebate program, the EPA selected additional applicants that were on the waiting list. This extended the program timetables and created confusion and inconsistency within the program.

We also identified a significant lack of transparency in several applications with regard to important contact information regarding contracting parties and vehicle suppliers. In one instance, we had to conduct six months of investigative work, including issuing subpoenas and conducting interviews and surveillance, to ascertain information that should have been in the application, such as the identity of the contractor applicant.

**Measures for Improvement:** The Office of Air and Radiation asked us for suggestions to help prevent possible fraud and establish a process for assessing applicant disclosures relative to their applications. We previously provided possible solutions to the Agency via email, and we outline these and other measures for improvement here. Specifically, in response to the concerns identified in the previous section of this report, we propose that the EPA take the following measures to augment its oversight and administration of the Clean School Bus Program:

- Require Applicants to Provide Supporting Documentation: Require that applicants provide ample supporting documentation to validate their assertions and certifications, ensuring transparency and precision in application submissions.

- Establish a Validation Regimen: Establish a robust validation process that corroborates the accuracy of submitted applications. This validation could be executed through site audits or detailed cross-referencing with reliable external sources.
- Require Recipients to Maintain a Documentation Archive: Mandate that all recipients retain records for a minimum of six years after completion of the project period. This measure will facilitate potential future review by the EPA or the EPA OIG.
- Highlight Criminal Penalties and Require Signed Certifications: In a previous [Management Implication Report](#), issued on March 30, 2023, we observed that grantees and subrecipients may not be fully aware of key fraud prevention and enforcement measures, recommending, among other things, that “the EPA should take stronger steps to clearly communicate the criminal, civil, and administrative consequences of fraudulent conduct throughout the life cycle of a grant.” We continue to believe that emphasizing the legal consequences for the submission of fraudulent applications serves as a deterrent. With respect to the Clean School Bus Program, the EPA should add a warning ahead of the “Important Dates” section of the funding opportunity posting, highlighting that 18 U.S.C. § 1001 provides that knowingly making materially false statements or falsifying or concealing a material fact is a felony, which may result in fines or up to five years imprisonment. In addition, the EPA should note that federal agencies may take additional actions to disqualify individuals or entities that have deliberately falsified their applications. Also, at the end of the application, the EPA should require the applicant to sign a statement attesting and certifying to the veracity of the statements made as part of their application.
- Require Notarized Attestations and Certifications: Make it mandatory for applicants to provide notarized attestations and certifications for each statement within their applications and ensure that the identity of applicants and contractors is easily discernable, to include a legally and financially responsible individual’s name, address, social security number, date of birth, and telephone number.
- Increase Oversight of Third-Party Vendors: Strengthen supervision over third-party involvement in the application process. For example, the EPA should ensure that an entity on whose behalf an application is submitted is informed and consents to the application before accepting any applications submitted on its behalf.

By implementing these measures, the EPA will bolster the efficacy of federal award administration, enhance the authenticity of award applications, and elevate the integrity of the Clean School Bus Program. This proactive stance will serve the program’s envisioned goals of environmental enhancement, public health fortification, and economic advancement, while concurrently mitigating potential fraud, waste, abuse, or mismanagement of federal resources.

We are notifying you of these concerns and mitigating measures so that the Agency may take whatever steps it deems appropriate. If you decide it is appropriate for your office to take, or plan to take, action to address these matters, we would appreciate notification of that action. Should you have any questions regarding this report, please contact Special Agent [REDACTED] at [REDACTED] or [REDACTED] or me at [REDACTED] or [Abend.Jason@epa.gov](mailto:Abend.Jason@epa.gov).

cc: Sean W. O'Donnell, Inspector General

Sarah Dunham, Director, Office of Transportation and Air Quality



## Whistleblower Protection

U.S. Environmental Protection Agency

*The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit the OIG's whistleblower protection [webpage](#).*

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