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# Managing The Money

How EPA Assures  
Financial Integrity in  
the Federal Wastewater  
Treatment Works  
Construction Grants  
Program



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**U**nder the Federal Water Pollution Control Act Amendments of 1972, the U.S. Environmental Protection Agency's wastewater treatment plant construction grants program has become the largest public works effort in the Nation.

Congress authorized \$18 billion in grants to States and municipalities to enable them to build or expand wastewater treatment facilities needed to meet water quality goals.

The Federal funding share is 75 percent of the costs of individual projects, and State or local governments contribute 25 percent.

Based on a recent Bureau of Labor Statistics study, each billion dollars spent for wastewater treatment facilities generates approximately 20,000 on-site, year-long jobs. In addition, off-site jobs are created in production and transportation of materials and equipment and in engineering and technical fields.

EPA estimates that wastewater treatment construction activities will support at least 200,000 jobs by mid-1977, when the entire \$18 billion is expected to be obligated for specific projects.

Although no significant improprieties or irregularities have occurred in this mammoth undertaking, the magnitude of the program creates a climate of potential problems. As a result, EPA has taken several strong measures to preserve the financial integrity of the construction grants program and to strengthen the Agency's stewardship of public funds allocated for this purpose.

### **Procurement Regulations**

EPA has issued regulations governing subagreements, or contracts, awarded under the construction grants program. This includes new procedures for procurement of architectural/engineering services.

The regulations are designed to encourage an open selection process for engineers. Cost reviews are required for engineering proposals (cost analysis may also be used in selected cases), and for negotiated change orders under construction contracts. The regulations prohibit cost-plus-percentage-of-cost contracts since this type of contract provides no incentive to reduce costs. They also prohibit fees based on a percentage of construction costs since the fees can bear no relationship to the engineer's effort if construction costs are rising fast. Mandatory

Federal requirements have been included in standard contract clauses for both consulting engineering and construction contracts

In developing these measures, EPA sought suggestions and comments from the public, State and local governments, and professional engineering groups. Joint workshops were held throughout the Nation to explain the procedures to the architectural/engineering community, grantees, States and other parties.

### **Auditing Practices Guidelines**

A guide has been developed by EPA's Office of Audit for use by its auditors as well as by certified public accounting firms under contract to the Agency. The guide applies to the audit of grant funds spent in the planning, design, and construction of wastewater treatment plants throughout the United States.

The guide, which updates and formalizes existing audit practices, includes comments and suggestions from five vitally interested groups:

- American Institute of Certified Public Accountants
- General Accounting Office
- National Intergovernmental Audit Forum
- The American Consulting Engineers Council
- Professional Engineers in Private Practice

These groups, along with water program and legal specialists within EPA, were instrumental in making the guide an effective working tool.

### **Expansion of Monitoring**

EPA has concluded an agreement with the Corps of Engineers and the General Services Administration to assist in expansion of Federal monitoring of projects under construction.

Efforts will focus on the quality of supervision provided by the grantee and the resident inspector. EPA will continue to rely heavily on the grantee to insure proper, speedy completion of construction.

### **More Help on Auditing**

Personnel assigned to construction grant audits by EPA has been increased from about 25 man-years in Fiscal Year 1975 to approximately 160 man-years in Fiscal 1977. This will help the Agency perform pre-award, interim, and final audits.

### **Added Staffing**

More attention is being given individual construction grant projects by allotment of additional personnel and other resources to the program. The construction grants effort was strengthened when the President authorized 300 new EPA positions, including 250 entirely new positions and 50 transfers of personnel from other EPA programs.

### **Increased Program Management**

Emphasis on the management of the construction grants program has been increased by appointment of a National Program Manager to better coordinate the program, accelerate the grants process and give added focus to individual projects.

### **Public Participation**

EPA will continue to encourage citizen involvement in the construction grants process, particularly on a community level. Ample opportunity is provided for public participation, particularly in the early stages of planning for wastewater treatment facilities.

### **Vital to Public Trust**

These measures are viewed by EPA as being much more than financial management controls. They also are vital steps in building and maintaining the public trust needed to sustain progress, not only in the field of water pollution abatement, but in the entire environmental movement as well.

### **For More Information**

For more information and assistance, write to EPA Water Program Operations, Municipal Construction Division (WH-547), Washington, D.C. 20460.