



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) and selected states are sufficiently overseeing Clean Water State Revolving Fund (CWSRF) projects that were funded by the American Recovery and Reinvestment Act of 2009 (ARRA), to ensure that project goals and ARRA requirements are met.

Background

The CWSRF Program received \$4 billion of ARRA funding for states to finance high-priority infrastructure projects needed to ensure clean water. EPA made ARRA grants to states and Puerto Rico to capitalize their State Revolving Fund programs to finance eligible high-priority water infrastructure projects.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2011/20110824-11-R-0519.pdf

EPA and States Should Strengthen Oversight of Clean Water State Revolving Fund Recovery Act Projects

What We Found

State oversight of CWSRF projects does not always ensure subrecipient compliance with ARRA. We found that some states were not conducting adequate oversight of subrecipient compliance with the Buy American provisions of ARRA, and the frequency of inspections of ARRA-funded CWSRF projects varied among states. EPA oversight guidance to the states is not detailed enough to ensure compliance with ARRA requirements. EPA believes that it lacks statutory authority to place requirements on states and gives states flexibility to implement their programs. However, if states do not conduct proper oversight, projects are at increased risk of fraud, waste, and abuse, and are also at risk for not complying with ARRA requirements or achieving ARRA's economic recovery goals.

EPA's oversight of states does not ensure that ARRA requirements are met on CWSRF projects. We found that the ARRA inspection checklist does not include enough detailed questions to facilitate EPA oversight of state programs. Further, the Office of Water is not conducting and documenting reviews of state programs in a timely manner and does not use the resulting review reports to make national program decisions. Office of Water management did not make completion of the review reports a priority and did not use all of the ARRA funding Congress allocated for oversight. As a result, the EPA oversight process cannot ensure that states are complying with program requirements and identifying nationwide issues to improve the CWSRF program.

What We Recommend

We recommend that EPA implement a plan to supplement state inspections and require states to use an updated checklist during their inspections. We recommend that EPA update the checklists regions use for semiannual reviews of state programs and establish deadlines for completing the reviews. We also recommend that EPA analyze the reviews of state programs for nationwide trends and use the information to assist in making future program decisions. In responding to the draft report, EPA did not agree with all of our recommendations and provided alternative corrective actions for some. The Agency did not provide planned completion dates for the recommendations. For this reason, the recommendations are unresolved. In responding to the final report, the Agency will need to provide a corrective action plan and milestone dates for completion.