

U.S. Environmental Protection Agency

# Office of Inspector General

Audit Federal Programs - EPA Water Programs

August 5, 2015

# EPA Major Programs

- Clean Water State Revolving Loan Fund (CWSRF)
  - CFDA 66.458
  - Over \$1 billion in grants to states and tribal entities in 2014
  - States use funds to award loans to entities (revolving)
  
- Drinking Water State Revolving Loan Fund (DWSRF)
  - CFDA 66.468
  - Over \$800 million in grants to states and tribal entities in 2014
  - States use funds to award loans to entities (revolving)



# Key Compliance Factors

- Funds used to make loans, source of security for SRF debt obligations (leveraging).
- Matching requirement for States
- Portion of grant for administration
- Portion of grant can be used to subsidize grants, principle forgiveness, or negative interest.
- Equivalency for single audit coverage



# EPA Compliance Supplements

- CWSRF & DWSRF have compliance supplements
- Located in Part 4 of the OMB Compliance Supplement
- 2015 CS includes compliance requirements for Hurricane Sandy Capitalization grants



# New SRF Requirements

- American Iron and Steel (AIS) Requirement (PL 113-176)
  - January 17, 2014
  - All steel/iron products must be US made
  - [http://water.epa.gov/grants\\_funding/aisrequirement.cfm](http://water.epa.gov/grants_funding/aisrequirement.cfm)
- Water Resources Reform and Development Act of 2014 (PL 113-121)
  - October 1, 2014
  - Fiscal Sustainability Plans
  - CWSRF Only



# Common Noncompliance Findings



Subrecipient  
Monitoring



Reporting



SEFA  
Preparation



Labor Charging



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# Subrecipient Monitoring

- State did not send notification of “due dates” for the first loan repayments to subrecipients in a timely manner. State did not have an effective control in place to ensure compliance with the federal requirements.
- The State NDR did not monitor subrecipients of the CWSRF to ensure that funds were expended in accordance with the cash management requirements communicated in their loan agreements.
- The Department did not follow its subrecipient monitoring plan. As a result, 24 subrecipients that had open projects during the audit year did not receive site visits in accordance with the monitoring plan.
- The Commission did not review the Single Audit reports of its subrecipients in accordance with federal laws and regulations.
- The Department did not have sufficient internal controls to ensure all of its DWSRF subrecipients receive audits as required.



# Reporting

- The Single Audit Reporting Package for the year ended June 30, 2012 was submitted to the Federal Audit Clearinghouse on June 26, 2013, three months after deadline of March 31, 2013.
- The Data Collection Form and the Single Audit reporting package were not submitted within nine months after the end of the audit period. A similar finding was noted in prior year audit reports.
- Numerous FFATA reporting findings.





# SEFA Preparation

- Reports submitted by the State to the federal agencies did not agree to expenditures presented on the SEFA for some programs. Additionally, total cash drawn down for these same programs differed from the expenditures presented on the SEFA.
- The State's Department of Finance and certain departments, lacked adequate internal controls to ensure the SEFA is complete. Specifically, the CWSRF and DWSRF programs have separate OMB Circular A-133 audits and should not have been reported on the Schedule.



# Labor Charging

- Timesheets provided did not agree to the hours charged to the grants for sampled DWSRF program. Also, the tested manual timesheets provided lacked the signature of the supervisor. A significant number of payroll disbursements tested were based on budgeted labor allocations instead of actual hours worked on the grants.
- For employee activities noted, required certifications are not being obtained for employees working full-time on specific programs. Although employees are signing off on timecards or timesheets evidencing hours worked on a federal program, the sign off does not indicate the employee actually performed activities solely for one federal program.



# Questions/Contact Info

- Questions/Comments
- Contact Info:

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Thank you!



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