



At a Glance

Why We Did This Audit

We performed this audit to determine whether the Clean Water State Revolving Fund (CWSRF) annual reviews are achieving their intended purpose.

The CWSRF has provided more than \$100 billion to states since its inception to help improve water quality. The U.S. Environmental Protection Agency (EPA) allotted \$1.4 billion in fiscal year 2014 to the CWSRF program. The EPA issued guidance for annual reviews of CWSRF programs in November 2013 to reflect a more focused, risk-based approach to conducting the annual review. The Water Quality Act of 1987 requires an annual review to be conducted for each state plan, and the annual review guidance says that EPA regions are responsible for conducting annual reviews of each of their states once per year.

This report addresses the following EPA goals and cross-agency strategies:

- *Protecting America's waters.*
- *Protecting human health and the environment by enforcing laws and assuring compliance.*
- *Embracing EPA as a high-performing organization.*

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EPA Regional Offices Need to More Consistently Conduct Required Annual Reviews of Clean Water State Revolving Funds

What We Found

The EPA did not always perform annual reviews of state CWSRF grants as required, which may lead to undetected misuse of federal funds. Regions did not always review Single Audit reports or include Single Audit findings in Program Evaluation Reports.

Annual reviews are an opportunity to identify program risks. Not comprehensively and accurately conducting the reviews increases the possibility that critical issues and deficiencies will not be identified, and the risk that misuse of funds will go undetected. We found that up to \$156.5 million in fiscal year 2013 grant awards could be at risk of misuse due to EPA regions not properly assessing state CWSRF performance. When funds are misused, states lose opportunities to improve water quality, achieve and maintain compliance with environmental laws, protect aquatic wildlife, protect and restore drinking water sources, and preserve the nation's waters for recreational use.

Also, administrative baseline monitoring reviews for fiscal years 2010 through 2013 were not conducted as required. These are periodic reviews of a recipient's progress in, and compliance with, a specific award's scope of work, terms and conditions, and regulatory requirements. Failure to complete required reviews may not provide reasonable assurance that state performance is fully evaluated and EPA dollars are used responsibly and for intended purposes.

Conducting annual reviews in accordance with applicable guidance allows EPA regions to assess state CWSRF performance, and helps identify opportunities to improve clean water infrastructure and provide for better use of the billions of dollars in CWSRF funding.

Recommendations and Agency Planned Corrective Actions

We recommend that the Assistant Administrator for Water make improvements to the CWSRF annual review guidance, and that Regions 3 and 4 require project officers to conduct the annual review according to the CWSRF annual review guidance. We also recommend that the Assistant Administrator for Administration and Resources Management develop and implement a plan to ensure administrative baseline monitoring reviews are completed as required.

The agency agreed with eight of the 10 recommendations, and provided estimated and actual completion dates. Corrective actions for Recommendations 1 through 5 and Recommendation 7 are completed. Corrective actions for Recommendations 8 and 10 are planned to be completed by the end of 2016. Region 3 provided an alternative for Recommendation 6 that does not meet the intent of our recommendation. Further, the agency did not provide intended corrective actions or planned completion dates for Recommendation 9. Therefore, Recommendations 6 and 9 are unresolved.