



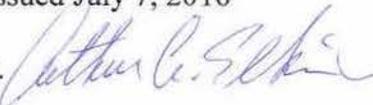
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

DEC - 2 2016

THE INSPECTOR GENERAL

**MEMORANDUM**

**SUBJECT:** Evaluation of Agency Decision on OIG Report No. 16-P-0222, *EPA Regional Offices Need to More Consistently Conduct Required Annual Reviews of Clean Water State Revolving Funds*, Issued July 7, 2016

**FROM:** Arthur A. Elkins Jr. 

**TO:** Donna J. Vizian, Acting Assistant Administrator  
Office of Administration and Resources Management

Shawn Garvin, Regional Administrator  
Region 3

The U.S. Environmental Protection Agency (EPA) agreed with, and the Office of Inspector General (OIG) accepted the EPA's responses to, eight of the 10 recommendations from the subject report. However, Region 3 and the Office of Administration and Resources Management (OARM) had not provided acceptable corrective actions and milestone dates for Recommendations 6 and 9, respectively (see Attachment A). Specifically:

- Region 3 provided an alternative corrective action for Recommendation 6 that we did not accept.
- OARM agreed with the underlying intent of Recommendation 9, but indicated it was examining ways to streamline the administrative baseline monitoring process. Therefore, OARM believed it was premature to provide a corrective action and completion date.

The OIG received separate responses to our final report from Region 3 and OARM, both dated September 6, 2016.

- For Recommendation 6—that Region 3 require Clean Water State Revolving Fund project officers to conduct the annual review according to guidance, and the region provided details on corrective action taken as well as a completion date. Region 3's response stated that "All questions from the revised guidance checklist were completed for all State annual reviews" on May 25, 2016. We consider the action taken to be acceptable.
- For Recommendation 9—OARM proposed an alternative corrective action in response to our recommendation to develop and implement a plan to ensure that administrative baseline monitoring reviews are completed as required by scheduling reviews around peaks in workloads. The agency indicated it has decided to replace the State Revolving Fund administrative baseline monitoring process with an alternative set of internal controls that will strengthen its ability to ensure state compliance with administrative requirements. While the State Revolving Fund

baseline administrative monitoring reviews will no longer be required, OARM indicated it will apply the OIG's ideas for enhanced baseline tracking to non-State Revolving Fund reviews. We believe the alternative corrective action will satisfy the intent of Recommendation 9. The completion date of the corrective action is October 1, 2017.

We consider the above responses to the final report to be adequate. All report recommendations are considered resolved as of the date of this memo.

We appreciate the cooperation of your staff in resolving this audit. If you or your staff have any questions, please contact Kevin Christensen, Assistant Inspector General for Audit, at (202) 566-1007 or [christensen.kevin@epa.gov](mailto:christensen.kevin@epa.gov); or Michael Petscavage, Director, at (202) 566-0897 or [petscavage.michael@epa.gov](mailto:petscavage.michael@epa.gov).

Attachment

cc: Nic Grzegozewski, Agency Audit Follow-Up Coordinator  
Andrew Sawyers, Director, Office of Wastewater Management, Office of Water  
Laura Drummond, Audit Follow-Up Coordinator, Office of Water  
Brandon McDowell, Audit Follow-Up Coordinator, OARM  
Jennifer Hublar, Audit Follow-Up Coordinator, Office of Grants and Debarment, OARM  
Lorraine Fleury, Audit Follow-Up Coordinator, Region 3  
Charles Sheehan, Deputy Inspector General  
Kevin Christensen, Assistant Inspector General for Audit  
Richard Eyermann, Deputy Assistant Inspector General for Audit  
Michael Petscavage, Director, Contract and Assistance Agreement Audits, OIG

**OIG Recommendations 6 and 9 Included in OIG Report  
No. 16-P-0222 and EPA Responses**

No.	Recommendation addressed to:	Recommendation in OIG report	EPA response to the final report that resulted in the recommendations being unresolved.
6	Regional Administrator, Region 3	Require CWSRF project officers to conduct the annual review according to the CWSRF annual review guidance, fully completing all checklists and other requirements of the review.	Alternative recommendation proposed: Ensure that all of the deferred process documentation questions have subsequently been completed.
9	Assistant Administrator for Administration and Resources Management	Develop and implement a plan to ensure administrative baseline monitoring reviews are completed as required by scheduling reviews around peaks in workloads.	<p>OARM agrees the underlying intent of this recommendation, namely to ensure that CWSRF awards receive effective EPA oversight. It is unclear at this time, however, whether administrative baseline monitoring of CWSRF awards adds independent value to the annual CWSRF review process. In this regard, in March 2014, OARM convened a LEAN team to examine ways to streamline the Unliquidated Obligation (ULO) and Administrative Baseline Monitoring processes. The Team's report contained a number of recommendations to simplify/consolidate the ULO and baseline monitoring processes, which OARM implemented in FY 2015. Significantly, the Team's report also recommended that the agency revised the monitoring requirements in <u>EPA Order 5700 6a2</u> to exclude CWSRF awards from administrative baseline monitoring due to the extensive oversight already provided by the annual CWSRF review process.</p> <p>OARM is currently in the process of evaluating the recommendation to exclude CWSRF awards from administrative baseline monitoring. This evaluation includes comparing the administrative baseline monitoring questions with the CWSRF annual guidance and checklists to determine whether there is overlap between the two processes, and, if so, whether there are opportunities to reallocate administrative baseline monitoring resources to recipients with higher financial risk. OARM will share the results of the evaluation with the OIG.</p> <p>Given the ongoing evaluation described above, OARM believes that it would be premature to develop and implement the plan recommended by the OIG. In coordination with the agency's Grants Management Council, OARM will assess the need for the plan once the evaluation is completed.</p>