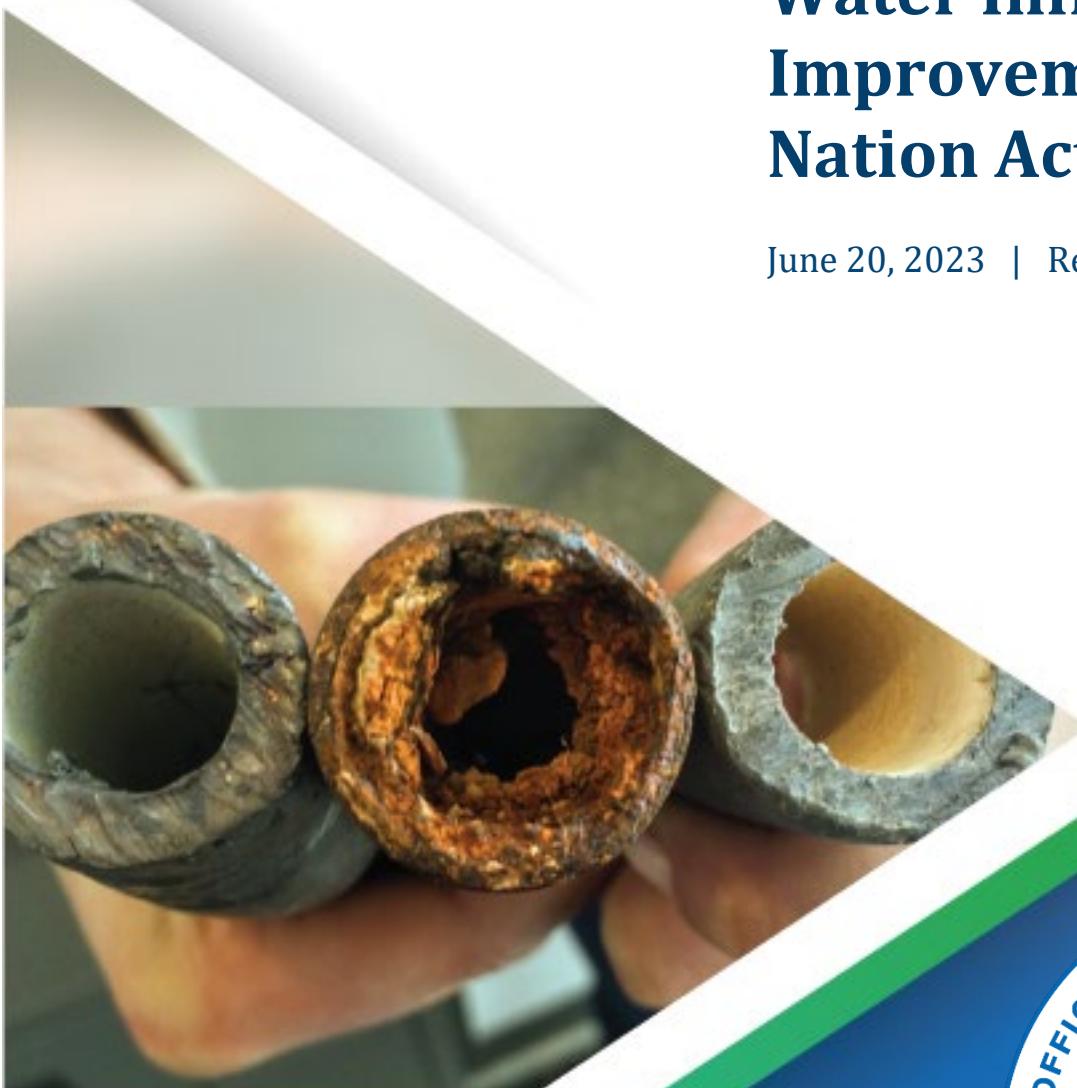


The EPA Could Not Readily Identify More Than \$162 Million in Water Infrastructure Improvements for the Nation Act Grant Funds

June 20, 2023 | Report No. 23-N-0019





OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

June 20, 2023

MEMORANDUM

SUBJECT: The EPA Could Not Readily Identify More Than \$162 Million in Water Infrastructure Improvements for the Nation Act Grant Funds
Report No. 23-N-0019

FROM: Sean W. O'Donnell, Inspector General

TO: Radhika Fox, Assistant Administrator
Office of Water

While conducting an audit (Project No. [OA-FY23-0037](#)) to determine whether the U.S. Environmental Protection Agency distributed Water Infrastructure Improvements for the Nation, or WIIN, Act funds to replace lead service lines in disadvantaged communities in adherence with applicable guidance, the EPA Office of Inspector General identified an urgent matter that warranted the issuance of a management alert. Final determinations on matters in this report will be made by OIG managers in accordance with established audit resolution procedures in our subsequent report at the completion of the remaining audit fieldwork.

You are not required to respond to this report because this report contains no recommendations. If you submit a response, however, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

This report supports these EPA mission-related efforts:

- Ensuring clean and safe water.
- Compliance with the law.
- Operating efficiently and effectively.

This report addresses this top EPA [management challenge](#):

- Integrating and leading environmental justice, including communicating risks.

Background

The WIIN Act, enacted in December 2016, aims to improve the nation's water infrastructure by addressing pressing needs in water resource management and providing support for various water-related projects. The WIIN Act includes provisions for improving the management of water resources, as well as funding for projects to address water scarcity and programs to support the rehabilitation of aging water infrastructure. The Act also authorizes the EPA to provide funding for the improvement of drinking water systems and activities in underserved communities meet and comply with the Safe Drinking Water Act, or SDWA, requirements.

Our audit focuses on the Agency's distribution of WIIN Act funds pursuant to section 2104, 42 U.S.C. § 300j–19a, and section 2105, 42 U.S.C. § 300j–19b. Section 2104, Assistance for Small and Disadvantaged Communities, establishes a noncompetitive grant program that awards funding to states,

territories, and tribes. These funds support drinking water projects and activities in communities that are unable to finance projects to comply with drinking water regulations. Section 2105, Reducing Lead in Drinking Water, establishes a competitive grant program that awards funding to disadvantaged communities. These funds support the reduction of lead in drinking water through drinking water infrastructure, treatment improvements, and facility remediation in schools and childcare facilities.

Responsible Offices

According to the Office of Ground Water and Drinking Water, it works with states, tribes, and environmental partners to protect public health by ensuring that people have access to safe drinking water. The office oversees and assists with funding for state drinking water programs and source water protection programs. The office's Drinking Water Capacity and Compliance Assistance Division is responsible for WIIN Act grant oversight. Each EPA regional office is responsible for the execution of related programs in its states and territories. Project officers are appointed to each project and are responsible for monitoring the programmatic aspects of the project.

Scope and Methodology

We conducted work related to this management alert from December 2022 to June 2023. While we are conducting our audit, which is still ongoing, in accordance with generally accepted government auditing standards, the work related to this report does not constitute an audit and we did not complete it in accordance with these standards. However, we did follow the OIG's quality control procedures for ensuring that the information in this report is accurate and supported. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

During our audit, we discovered the deficiencies that we describe in this report. Because our audit was limited to the internal control components deemed significant to our audit objective, our work may not have disclosed all internal control deficiencies that existed at the time of the audit.¹ As part of our assessment, we examined the EPA's distribution and oversight of WIIN Act grant funding. Additionally, within the universe of WIIN Act grants awarded since the Act's inception in 2016, we determined the amount of funding allocated to replace lead service lines in disadvantaged communities. We cross-referenced the information with the EPA's Small, Underserved, and Disadvantaged Communities program and the Reducing Lead in Drinking Water program websites and with the Next Generation Grant System—a searchable system that contains the grant recipient, cooperative agreement, grant award, and other relevant details.

Results

The EPA could not accurately determine whether WIIN Act funds were distributed to replace lead service lines in disadvantaged communities in accordance with applicable guidance. The EPA had several discrepancies with the Agency's tracking and monitoring of the WIIN Act's grant funding for its Small, Underserved, and Disadvantaged Communities program. The EPA received a total of \$162,838,000 in WIIN Act grant funds for fiscal years 2017–2021. To evaluate the distribution and oversight of funds, we requested from the Office of Ground Water and Drinking Water the complete list of WIIN Act grants awarded to replace lead service lines in disadvantaged communities. Initially, the office staff told us we

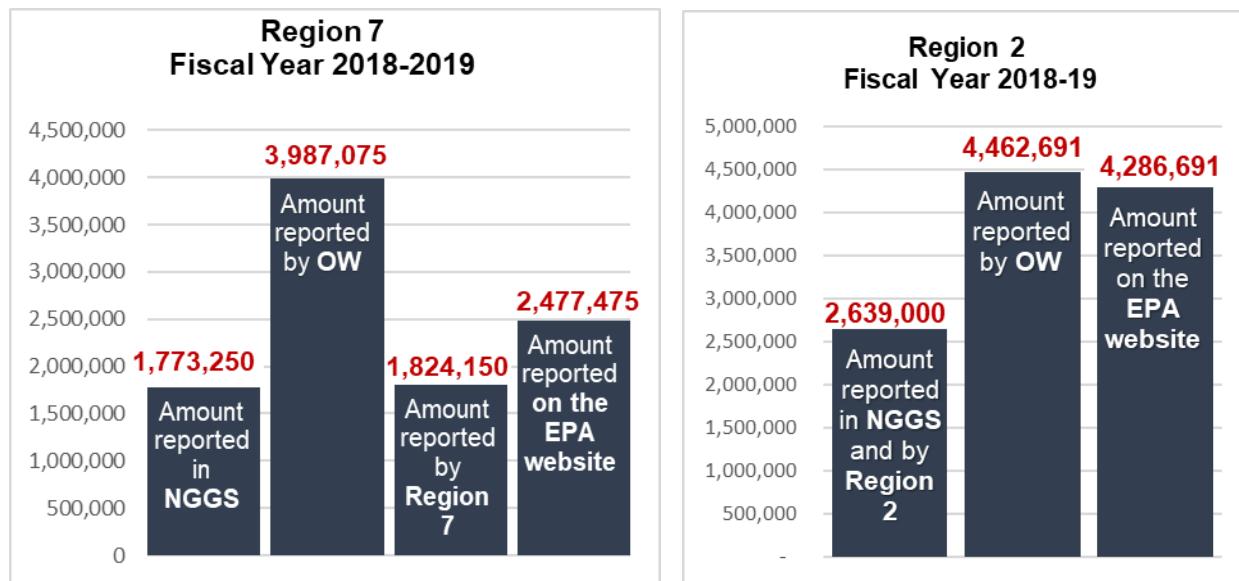
¹ An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The U.S. Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government*, issued September 10, 2014.

could retrieve that information ourselves from their website. We explained to the Agency that generally accepted government auditing standards require auditors to assess the sufficiency and appropriateness of computer-processed information, regardless of whether this information is provided to auditors, or they extract it independently.²

After some resistance, the Drinking Water Capacity and Compliance Assistance Division informed us that it encountered challenges in its efforts to respond to this request. The division reported that it took approximately 65 staff hours over several weeks to collect and compile the requested information.

After we received the requested information from the division, we cross-referenced the data with information from the Agency's website, the Next Generation Grant System, and regional grant project officers. From this review, we identified discrepancies between the funds that the EPA received and the funds that it awarded through the two WIIN Act programs for disadvantaged communities. For example, as shown in Figure 1, for fiscal years 2018 and 2019, Region 7 reported awarding \$1,824,150 in WIIN Act section 2104 funds, while the Next Generation Grant System indicated \$1,773,250, and the Office of Water and the EPA website reported \$2,477,475. Similar discrepancies occurred in Region 2. As an example, the Next Generation Grant System indicated \$2,639,000 was awarded, while the Office of Water reported \$4,462,691, and the EPA website reported \$4,286,691.

Figure 1: Examples of data discrepancy reporting for the Assistance for Small, Underserved, and Disadvantaged Communities program



Note: NGGS = Next Generation Grant System; OW = Office of Water.

Source: OIG analysis of WIIN Act section 2104 awarded funds from the Next Generation Grant System, Office of Water list, Region 7, Region 2, and the EPA website. (EPA OIG figure)

² Per the standards, “attributing the data to its source does not alleviate the need for auditors to assess the reliability of the data” Further, according to GAO’s *Assessing Data Reliability*, dated December 2019: When numbers originate from a data system, auditors should follow this guidance in deciding whether and how to assess the reliability of the underlying data. …[A]uditors still need to ensure they have extracted complete and accurate information from the original source. The steps taken to collect information during a data reliability assessment can help auditors better understand these controls and assess whether they have been designed, implemented, and are operating in a manner that supports the reliability of data. Depending on the audit objectives, auditors may learn more about information system controls by gathering information from knowledgeable officials, reviewing documentation about the system and processes, and testing the data for indicators that such controls are present.

Tables 1 and 2 show the funds that the EPA received and the funds that Office of Water reported as awarded for fiscal years 2017–2021. Based on this information, the Agency appears to have awarded more funds than it received in each fiscal year. However, through discussions with the Office of Water, we learned that the office included all project costs from all appropriation sources and not just WIIN Act grant funds. When we requested a breakdown of the actual costs, the office was not able to provide the information.

Table 1: WIIN Act section 2104 funds received and reported as awarded

Fiscal year	Funds received by the EPA (\$)	Funds reported as awarded by the Office of Water (\$)*
2017	0	0
2018	20,000,000	—†
2019	25,000,000	85,573,083†
2020	25,408,000	25,470,000‡
2021	26,408,000	36,928,070
Total	96,816,000	147,971,153

Source: EPA WIIN Act section 2104 appropriated funds and Office of Water awarded funds list. (EPA OIG table)

* According to the Office of Water, these numbers include all project costs from all appropriation sources and not just WIIN Act grant funds.

† The funds for fiscal years 2018 and 2019 were both awarded in fiscal year 2019.

‡ This amount is the tribal allotment only.

Table 2: WIIN Act section 2105 funds received and reported as awarded

Fiscal year	Funds received by the EPA (\$)	Funds reported as awarded by the Office of Water (\$)*
2017	0	0
2018	10,000,000	—†
2019	15,000,000	—†
2020	19,511,000	43,943,773†
2021	21,511,000	30,651,128
Total	\$66,022,000	74,594,901

Source: EPA WIIN Act section 2105 appropriated funds and Office of Water awarded funds list. (EPA OIG table)

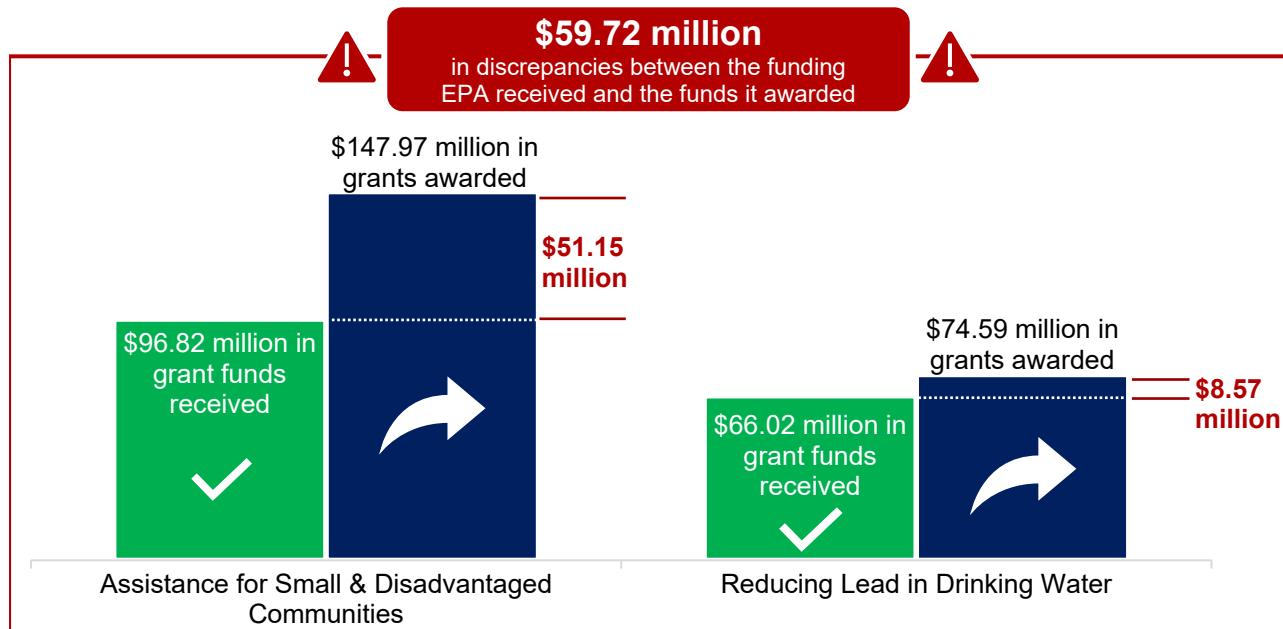
* According to the Office of Water, these numbers include all project costs from all appropriation sources and not just WIIN Act grant funds.

† The funds for fiscal years 2018–2019 were all awarded in fiscal year 2020.

The \$43,943,773 includes a tribal allotment of \$4,043,773.

The OIG concluded that the EPA was unable to easily identify or provide accurate information for over \$162 million in WIIN Act grant funds, as shown in Figure 2.

Figure 2: Discrepancies found in reported WIIN Act sections 2104 and 2105 funding amounts for fiscal years 2017–2021



Source: EPA WIIN Act appropriated funds and Office of Water awarded funds list. (EPA OIG table)

Conclusions

The discrepancies between funds received and funds reported as awarded show unreliable reporting, monitoring, and oversight of WIIN Act grant funds. It is essential that the EPA properly monitor and accurately report the use of WIIN Act grant funds to ensure that the EPA and grant award recipients effectively use the funds to address pressing public health drinking water issues. Accurate and transparent reporting is critical for ensuring that the EPA and grant award recipients are using grant funds for their intended purpose and to track the progress of infrastructure improvements in communities. The failure to properly monitor and accurately report the use of more than \$162 million of WIIN Act grant funds could result in mismanagement of resources, ineffective infrastructure improvements, and a lack of accountability in the grant award process. Proper monitoring and reporting help to ensure that communities have access to the resources they need to address water infrastructure issues and that the EPA is fulfilling the goals of the WIIN Act.

cc: Michael S. Regan, Administrator

Janet McCabe, Deputy Administrator

Dan Utech, Chief of Staff, Office of the Administrator

Wesley J. Carpenter, Deputy Chief of Staff for Management, Office of the Administrator

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Benita Best-Wong, Deputy Assistant Administrator for Water

Bruno Pigott, Deputy Assistant Administrator for Water

Andrew LeBlanc, Agency Follow-Up Coordinator

Susan Perkins, Agency Follow-Up Coordinator

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Stefan Martiyan, Director, Office of Continuous Improvement, Office of the Chief Financial Officer

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Office of Water

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Michael Benton, Audit Follow-Up Coordinator, Office of the Administrator

Cameo Smoot, Audit Follow-Up Coordinator, Office of Water

Cover image: Comparison of the inner surface of three lead service lines: the left does not have corrosion-control treatment, the right has corrosion-control treatment, and the middle is fully corroded. (EPA photo)



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U.S. Environmental Protection Agency

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