



At a Glance

Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program

Why We Did This Audit

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether EPA Region 1 evaluated grant applications and awarded Infrastructure Investment and Jobs Act funds from the Emerging Contaminants in Small or Disadvantaged Communities Grant Program in accordance with pre-award requirements under 2 C.F.R. part 200 and EPA grant policies and guidance.

The Infrastructure Investment and Jobs Act provided the EPA \$5 billion for this new program, which offers public water systems in small or disadvantaged communities grants to address emerging contaminants, including perfluoroalkyl and polyfluoroalkyl substances, commonly referred to as PFAS. The National Policy, Training, and Compliance Division within the EPA's Office of Grants and Debarment oversees regional Grants Management Offices, and Region 1's Office of the Regional Administrator provides overall supervision of the region, which includes direction of technical and administrative aspects of programs and activities.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

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What We Found

EPA Region 1 did not award approximately \$133 million of Infrastructure Investment and Jobs Act funds from the Emerging Contaminants in Small or Disadvantaged Communities Grant Program in accordance with the pre-award requirements of 2 C.F.R. part 200 and EPA grant policies and guidance. These funds represent all of the grants Region 1 awarded through this program between the passage of the IIJA and the end of our scope period, July 2024. We found that EPA staff did not consistently perform and document required pre-award evaluations. Some required reviews were not completed until after the grants were awarded. Also, each of the six grant files we reviewed was missing at least one required document. Region 1 staff noted that they have not received clear guidance on what documents are to be maintained and when required documents must be uploaded to the electronic EPA Grant File. Furthermore, the EPA did not consistently review and update its grant-related policies, leading to outdated or inapplicable policies.

We found that, upon the initial grant award, EPA staff failed to (1) identify proposed subaward costs of approximately \$102 million, or 77 percent of all awards; (2) identify approximately \$56 million, or 42 percent, of miscategorized costs; and (3) include all terms applicable to subawards. These deficiencies occurred because Region 1 staff did not effectively implement established internal control and supervisory review processes to provide assurance that federal funds are awarded in accordance with EPA policies and regulatory requirements. In 2024, the EPA amended two of the six grants to appropriately classify subaward costs and include applicable subaward terms and conditions.

Without sufficient oversight, clearly defined responsibilities, and implemented quality control processes, the EPA does not have adequate assurance that nearly \$133 million in funds were awarded and are being managed in accordance with program and regulatory requirements.

The Emerging Contaminants in Small or Disadvantaged Communities Grant Program supports water systems in small or disadvantaged communities that may lack the capacity to manage federal grants effectively. The deficiencies identified put approximately \$133 million in federal funds at risk of not being used to achieve the program's goals.

Recommendations and Planned Agency Corrective Actions

We recommend that the regional administrator for Region 1 implement supervisory review processes to improve accountability. We also recommend that the regional administrator for Region 1 ensure that project officers and grant specialists understand their roles, establish a quality control process to verify complete and accurate funding packages, and review all Emerging Contaminants in Small and Disadvantaged Communities grants awarded in fiscal years 2022 and 2023 to confirm that they include required subaward terms and conditions. Finally, we recommend that the chief financial officer and chief administrative officer revise policies to provide more detailed guidance on grant file management and implement recurring comprehensive reviews of all grant-related policies. All eight recommendations are resolved with corrective actions pending.