

Inspection of the Sunnyvale, California, Water Treatment Project Funded by the Infrastructure Investment and Jobs Act to Verify Compliance with Domestic Preference Requirements

October 6, 2026 | Report No. 27-E-0001



Abbreviations

AIS	American Iron and Steel
BABA	Build America, Buy America Act
C.F.R.	Code of Federal Regulations
CWSRF	Clean Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
Pub. L.	Public Law
SRF	State Revolving Fund

Cover Image

A picture from the roof of a building showing a clear blue sky and two yellow construction cranes working in a water treatment plant with concrete structures. (EPA OIG image)

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At a Glance

Inspection of the Sunnyvale, California, Water Treatment Project Funded by the Infrastructure Investment and Jobs Act to Verify Compliance with Domestic Preference Requirements

Why We Did This Inspection

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this inspection to determine the extent to which an Infrastructure Investment and Jobs Act-funded water infrastructure project complies with federal domestic preference requirements.

In fiscal year 2022, the EPA awarded the California State Water Resources Control Board approximately \$127.3 million through an Infrastructure Investment and Jobs Act-funded Clean Water State Revolving Fund supplemental capitalization grant. The board entered into a financial agreement with the City of Sunnyvale to upgrade the city's water pollution control plant, referred to as the Sunnyvale Project. The Sunnyvale Project received the largest allocation of all Clean Water State Revolving Fund projects funded under the Infrastructure Investment and Jobs Act in fiscal year 2022.

Clean Water State Revolving Fund infrastructure projects must follow applicable domestic preference requirements, such as the American Iron and Steel provision of the Consolidated Appropriations Act, 2014 and the Build America, Buy America Act.

To support this EPA mission-related effort:

- *Compliance with the law.*

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[List of OIG reports.](#)

What We Found

The Sunnyvale Project demonstrated compliance with federal domestic preference requirements. It did so by incorporating the requirements into grants and contracts, documenting approved waivers, and providing compliance documentation, such as certification letters, attesting that the applicable iron or steel products we reviewed were produced in the United States.

Project staff could improve compliance documentation by requiring that certification letters or supporting documentation contain more specific product descriptions. Project staff could also improve documentation by having manufacturers, rather than suppliers, provide certification letters or by ensuring that the location of specific manufacturing processes is included in all certification letters. The EPA's Office of Water provides guidance and trainings on the American Iron and Steel, or AIS, and the Build America, Buy America Act requirements. As such, the EPA has an opportunity to clarify the level of detail expected in AIS compliance documentation and the information that should be included in supplier-provided certification letters.

Clarifying the level of detail required for AIS documentation is critical to ensure compliance with domestic preference requirements. Improving documentation will strengthen the EPA's oversight and reduce the potential for misuse of funds.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for the Office of Water develop and implement a plan to work with the California State Water Resources Control Board and the City of Sunnyvale to improve the Sunnyvale Project's AIS compliance documentation. We further recommend providing state revolving fund programs with more clarity by communicating (1) the specificity needed in the documentation used to demonstrate compliance with the AIS requirements and (2) that manufacturers, rather than suppliers, should provide certification letters, or, if permitted, that suppliers should include the location of specific manufacturing processes on certification letters they provide. The EPA agreed with our recommendations, which we consider resolved with corrective actions pending.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

October 6, 2026

MEMORANDUM

SUBJECT: Inspection of the Sunnyvale, California, Water Treatment Project Funded by the Infrastructure Investment and Jobs Act to Verify Compliance with Domestic Preference Requirements
Report No. 27-E-0001

FROM: Nicole N. Murley, Deputy Inspector General performing the duties of the Inspector General *Nicole N. Murley*

TO: Jessica L. Kramer, Assistant Administrator
Office of Water

Michael Martucci, Acting Regional Administrator
Region 9

This is our report on the subject inspection conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this inspection was [OSRE-FY25-0077](#). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

In accordance with EPA Manual 2750, your office provided acceptable planned corrective actions and estimated milestone dates in response to OIG recommendations. All recommendations are resolved, and no final response to this report is required. If your office submits a response, however, it will be posted on the OIG's website, along with our memorandum commenting on the response. The response should be provided as an Adobe PDF file that complies with the requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that your office does not want released to the public; if the response contains such data, your office should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Table of Contents

Purpose and Overview.....	1
Background.....	2
Key Information	2
Responsible Offices	4
Scope and Methodology	5
Results	6
The Sunnyvale Water Infrastructure Project Complied with Domestic Preference Requirements	6
The Project Was Waived from the BABA Requirements.....	6
The Project’s Grants and Contracts Contained the Domestic Preference Requirements	7
The Project’s AIS Certification Letters Demonstrated Compliance with Domestic Preference Requirements but Could Be Improved.....	8
Conclusions and Recommendations	11
Conclusions.....	11
Recommendations	11
Agency Response and OIG Assessment.....	11
Status of Recommendations	12

Appendixes

A	Agency Response to the Draft Report	14
B	Distribution	17

Purpose and Overview

The U.S. Environmental Protection Agency Office of Inspector General [initiated](#) an inspection to determine the extent to which an Infrastructure Investment and Jobs Act-, or IIJA-, funded water infrastructure project complies with federal domestic preference requirements.

In August 2025, we inspected the IIJA-funded Sunnyvale, California, water infrastructure project. In the following pages, we summarize the domestic preference requirements that we reviewed during our inspection and describe whether the project demonstrated compliance with the requirements. Table 1 shows an overview of our findings. We recommend that the EPA take action to address two areas related to documenting compliance with domestic preference requirements. We detail recommendations related to these findings in the “Recommendations” section.

Table 1: Overview of OIG inspection findings

Finding	Did the project meet the requirement?
The Sunnyvale water infrastructure project complied with domestic preference requirements, as demonstrated by the following: The project was waived from Build America, Buy America Act requirements. In accordance with Pub. L. 117-58, section 70914, “The head of a Federal agency...may waive the application of...[domestic] preference [if] applying the domestic content procurement preference would be inconsistent with the public interest....” The project’s grants and contracts contained the domestic preference requirements. In accordance with the EPA’s memorandum <i>Implementation of American Iron and Steel provisions of P.L. 113-76, Consolidated Appropriations Act, 2014</i> dated March 20, 2014, “specific [American Iron and Steel] contract language must be included in each contract, starting with the assistance agreement, all the way down to the purchase agreements.” The project’s American Iron and Steel certification letters demonstrated compliance with domestic preference requirements but could be improved. According to EPA guidance,* a signed certification letter is the most direct and effective form of compliance documentation.	  

Source: OIG inspection criteria and findings. (EPA OIG table)

Notes: A green checkmark in a box indicates that the project met the requirement. An open yellow box indicates that the project met the criterion with room for improvement. The project met all three domestic preference requirements that we reviewed, but certification letters could be improved.

* Example: EPA guidance documents and trainings include the *American Iron and Steel (AIS) Requirements for SRF [State Revolving Fund] and WIFIA [Water Infrastructure Finance and Innovation Act] projects* National Refresher [Webinar](#), February 9, 2021, and the EPA’s November 3, 2022, [memorandum](#) *Build America, Buy America Act Implementation Procedures for EPA Office of Water Federal Financial Assistance Programs*.

Background

Key Information

In fiscal year 2022, the EPA awarded the California State Water Resources Control Board approximately \$127.3 million through an IIJA-funded Clean Water State Revolving Fund, or CWSRF, supplemental capitalization grant. This grant was separate from the state's CWSRF capitalization base grant of approximately \$82.8 million. In January 2023, the State Water Resources Control Board entered into an agreement with the City of Sunnyvale and allotted \$287.8 million to upgrade the city's water pollution control plant shown in figure 1. A portion of these funds was from the IIJA. The funds were for the construction of a conventional activated sludge facility and a thickening and dewatering building.¹ The project is referred to as the Secondary Treatment and Dewatering Facilities Project; for simplicity, in this report, we refer to it as the Sunnyvale Project. The Sunnyvale Project received the largest allocation of all CWSRF projects funded by the IIJA in fiscal year 2022. The Sunnyvale Project is part of the water pollution control plant's decades-long upgrade plan, estimated to cost \$1.3 billion in total.

Figure 1: Aerial view of the Sunnyvale water pollution control plant



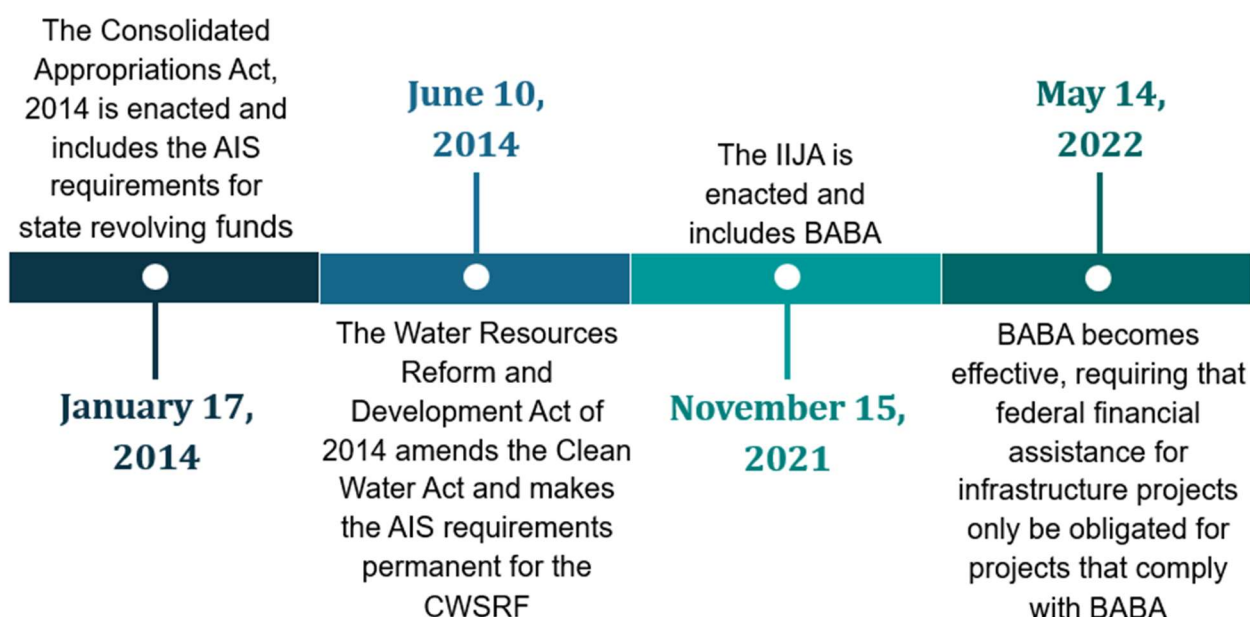
Source: EPA OIG modification of Geographical Information System mapping. (GIS image)

CWSRF infrastructure projects must follow applicable domestic preference requirements, which prioritize American-made materials and products. Figure 2 highlights key dates related to legislation on federal domestic preference requirements. Under the American Iron and Steel, or AIS, provision of the Consolidated Appropriations Act, 2014, CWSRF projects are required to use iron and steel products that

¹ A conventional activated sludge facility is a type of wastewater treatment that uses biological processes to break down organic matter.

are produced in the United States.² This provision applies to products such as reinforced precast concrete, manhole covers, and hydrants. The Water Resources Reform and Development Act of 2014 made the AIS provision a permanent requirement for the CWSRF under the Clean Water Act.³ In November 2021, the IIJA's Build America, Buy America Act, or BABA, expanded domestic preference requirements.⁴ Specifically, BABA added two categories, manufactured products and construction materials, that must also be produced in the United States. Additionally, BABA domestic preference requirements apply to all infrastructure projects funded with federal financial assistance.

Figure 2: Timeline of key dates related to legislation on federal domestic preference requirements



Source: OIG summary of key dates related to legislation on federal domestic preference requirements. (EPA OIG image)

Wastewater infrastructure projects funded by federal financial assistance demonstrate compliance with the AIS and BABA requirements by incorporating the requirements into contracts; documenting the use of approved waivers; and gathering and maintaining compliance documentation, such as certification letters for products incorporated into the project, to confirm that products comply with the requirements. Contracts, such as the one between Sunnyvale and the project's construction company, must include language requiring the responsible parties to use domestically produced products.⁵

² Pub. L. 113-76.

³ Pub. L. 113-121; 33 U.S.C. § 1388.

⁴ Pub. L. 117-58 §§ 70911-70917.

⁵ For the AIS requirement: EPA, [Implementation of American Iron and Steel provisions of P.L. 113-76, Consolidated Appropriations Act, 2014](#), Memorandum, March 20, 2014. For BABA: EPA, [Build America, Buy America Act Implementation Procedures for EPA Office of Water Federal Financial Assistance Programs](#), Memorandum, November 3, 2022.

The EPA may issue a domestic preference requirement waiver under certain circumstances.⁶ For example, the EPA may issue a waiver when domestic materials are not produced in sufficient quantities or increase the cost of the overall project by more than 25 percent. If granted, the waiver allows the project to use products that are produced outside the United States. Project staff may use certification letters to confirm product compliance with the AIS and BABA requirements. The EPA's program guidance and training webinars identify five elements to include in AIS certification letters:⁷

- A project reference.
- The product or products.
- The location or locations of manufacturing.
- A reference to the AIS requirement.
- The signature of a company representative.

Manufacturers complete these certifications, attesting that products were produced in the United States. Suppliers often purchase finished products from manufacturers and sell them to end customers.⁸ While the EPA does not prohibit suppliers from providing certification letters, it discourages the practice.

Responsible Offices

The EPA Office of Water provides agencywide policy and guidance for water quality and other water-related programs. Within the Office of Water, the Office of Wastewater Management manages and oversees water infrastructure funding and financing programs, including the EPA's CWSRF program. EPA Region 9 is responsible for executing these programs within the region. For example, Region 9 reviews and approves the California State Water Resources Control Board's CWSRF capitalization grant application, while the Office of Water provides guidance and training on the AIS and BABA requirements. EPA headquarters offices, including the Office of Water, review and approve waiver requests that the State Water Resources Control Board submits on behalf of the board's assistance recipients.⁹ Within California, the State Water Resources Control Board executes the state's CWSRF program and provides financial assistance to water systems, as it did with the Sunnyvale Project. The board also ensures that CWSRF projects comply with federal requirements, including domestic preference requirements. The City of Sunnyvale is responsible for complying with the assistance agreement's domestic preference requirements.

⁶ Federal agencies may grant a waiver based on the criteria established in section 70914(b) of the IIJA and the procedural requirements set forth in 2 C.F.R. § 184.7.

⁷ The EPA has issued guidance on the certification letters:

- EPA, "[State Revolving Fund American Iron and Steel \(AIS\) Requirement](#)," updated July 29, 2025.
- EPA, "[Build America, Buy America \(BABA\) Act Resources](#)," updated August 1, 2025.

⁸ Sometimes manufacturers sell their finished products directly to the end customer or project, bypassing the need for a supplier.

⁹ Assistance recipients include tribal governments, state and local government entities, and water utilities.

Scope and Methodology

We conducted this inspection from July 2025 to July 2026 in accordance with the *Quality Standards for Inspection and Evaluation* published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we perform the inspection to obtain sufficient and appropriate evidence to support our findings.

We conducted a site visit at the Sunnyvale Project in August 2025. We selected this site based on several factors, such as the amount of IIJA funding awarded and its active construction status. At the time of the inspection, the project was in phase two of five, and phase two was expected to be completed in 2028. Our inspection focused on the project's compliance with the AIS and BABA requirements and related EPA guidance. We reviewed relevant grants, contracts, and purchase agreements to determine whether they contained the required domestic preference requirements, and we requested and reviewed approved waivers for domestic preference requirements.

We conducted a visual inspection of the site and photographed 30 products for review. We excluded eight products from our review because they did not meet the definition of iron or steel products or were covered by an EPA-approved BABA waiver. After these exclusions, 22 products remained in our sample. We confirmed item descriptions with site personnel and collected 16 certification letters for the 22 products.¹⁰ We reviewed the certification letters, which is a method the EPA guidance outlines for demonstrating compliance with AIS and BABA requirements.

¹⁰ Some of the domestic preference certification letters that were collected at the site covered multiple products.

Results

The Sunnyvale Water Infrastructure Project Complied with Domestic Preference Requirements

The Sunnyvale Project demonstrated compliance with federal domestic preference requirements; however, the project could improve its AIS compliance documentation by following the EPA's recommended practices. We found no evidence of noncompliance during our visual inspection of the products at the site. The project complied with the BABA requirements via the EPA's Adjustment Period Waiver for SRF Projects that have Initiated Design Planning dated September 2, 2022. Further, the City of Sunnyvale included domestic preference requirements in the grants, contracts, and purchase agreements that we reviewed. Finally, project staff provided certification letters attesting that the applicable iron or steel products we reviewed were produced in the United States.



(Left) Construction cranes working over the Sunnyvale Project. (Right) A privacy fence along the edge of the site with the entrance sign that includes information about the EPA points of contact. (EPA OIG images)

The Project Was Waived from the BABA Requirements

The Sunnyvale Project complied with the BABA requirements by having an approved BABA waiver. BABA states that funds made available to federal financial assistance programs for infrastructure may not be obligated "...unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States."¹¹ BABA also authorizes federal agencies, including the EPA, to waive the BABA domestic preference requirement under certain circumstances, such as when applying the domestic preference requirement would be inconsistent with the public interest. The EPA approved a public interest adjustment period waiver on September 2, 2022.¹² This waived

¹¹ Pub. L. 117-58 § 70914(a).

¹² The EPA issued an [amended adjustment period waiver](#) on November 13, 2023.

the BABA requirements for eligible state revolving fund projects that initiated project design planning prior to BABA's effective date on May 14, 2022. Consistent with the requirements of the adjustment period waiver, the City of Sunnyvale submitted evidence to the California State Water Resources Control Board indicating that it initiated design planning prior to May 14, 2022. The board determined that the project qualified for the adjustment period waiver and sent documentation to the city applying the waiver on January 31, 2023.¹³ As permissible by law, the Sunnyvale Project complied with BABA via the waiver.

The Project's Grants and Contracts Contained the Domestic Preference Requirements

The Sunnyvale Project's grants and contracts contained the domestic preference requirements, as appropriate. Grants, contracts, and other similar documents must contain language that aligns with the SRF program requirements for AIS and BABA compliance. As shown in figure 3, the fiscal year 2022 capitalization grants from the EPA to the California State Water Resources Control Board contained both the AIS and BABA requirements, indicating that the funds would be subject to both domestic preference requirements. Similarly, the assistance agreement between the State Water Resources Control Board and the City of Sunnyvale included both the AIS and BABA requirements, indicating that the funds would continue to be subject to both domestic preference requirements. The city's contract with the project's construction company and purchase agreements with manufacturers and a supplier included the AIS requirements, indicating that the funds would continue to be subject to the AIS requirements. As discussed previously, the State Water Resources Control Board determined that the City of Sunnyvale qualified for a BABA waiver. The use of an approved BABA waiver indicated that the funds were no longer subject to BABA's domestic preference requirements to source only domestically manufactured products and construction materials. However, project staff provided contracts that included the domestic preference requirements.

¹³ The EPA is granted authority to approve general applicability waivers for BABA. These waivers become available for federal funding recipients to use within the limits of the waivers' applicability. State SRF programs are responsible for assessing that the project qualifies for the general applicability waiver and maintaining evidence of waiver eligibility decisions.

Figure 3: All relevant grants, contracts, and purchase agreements we reviewed included applicable domestic preference requirements

Document Type	Parties	AIS Requirement	BABA Requirement
 Capitalization Grant	  EPA State of California*		
 Assistance Agreement	  State of California* City of Sunnyvale		
 Contract	  City of Sunnyvale Construction company		n/a
 Purchase Agreement	 Suppliers and manufacturers		n/a

Source: OIG analysis of project grants and contracts. (EPA OIG image)

* Specifically, the California State Water Resources Control Board received the grants and executed the assistance agreement.

The Project's AIS Certification Letters Demonstrated Compliance with Domestic Preference Requirements but Could Be Improved

The City of Sunnyvale demonstrated compliance with the AIS domestic preference requirements by providing certification letters for the applicable iron and steel products that we reviewed during our inspection. The EPA's program guidance and training webinars identified five elements to include in AIS certification letters:

- A project reference.
- The product or products.
- The location or locations of manufacturing.
- A reference to the AIS requirement.
- The signature of a company representative.

According to the EPA, “[t]he use of a signed certification letter for the project is the most direct and effective form of compliance documentation ... ; however, other forms of documentation are also acceptable” if, collectively, the five elements can be demonstrated.¹⁴ While the 16 certification letters we reviewed addressed the five elements needed to demonstrate compliance with the AIS requirements, the project could improve its compliance documentation by following two of the EPA’s recommended practices: (1) providing more specific product references and (2) obtaining certification letters from manufacturers rather than suppliers or ensuring that supplier-provided certification letters meet EPA standards.



(Left) Large ductile iron pipe at the Sunnyvale Project site. (Right) Various iron and steel products waiting for installation. (EPA OIG images)

Project staff could improve compliance documentation by requiring certification letters or supporting documentation to contain more specific product descriptions. The EPA recommends that certification letters include a description of the product or item being delivered. While all the certification letters we reviewed referenced the product being delivered, certification letters for six of the 22 items (27 percent) did not have a product description or supporting documentation sufficient for us to verify that the product we viewed at the site matched the certification letter provided by project staff. For example, one certification letter referenced a “ductile iron pipe” but did not describe the pipe size, product code, or purchase order information. Without detailed product descriptions, the City of Sunnyvale may not effectively demonstrate that products were manufactured in the United States. In addition, the EPA may not be able to provide appropriate oversight for compliance with domestic preference requirements if the documentation does not allow the agency to determine which products are the subject of the certification.

¹⁴ EPA, [Build America, Buy America Act Implementation Procedures for EPA Office of Water Federal Financial Assistance Programs](#).

Project staff could also improve documentation by having manufacturers, rather than suppliers, provide certification letters. While the EPA does not prohibit suppliers from providing certification letters, it discourages the practice and provides ambiguous guidance regarding whether it is appropriate for a supplier to certify the iron and steel products it provides to customers. For example, the EPA's 2014 AIS implementation guidance stated that each handler, including suppliers, of iron and steel products may certify that its step in the process was domestically performed. According to an EPA AIS training in February 2021, if a supplier chooses to certify a product as AIS-compliant, then it takes on that liability. However, the same training, on a different slide, stated that certification letters from suppliers are a "common mistake." In another AIS training in March 2021, the EPA specified that "supplier-written certification letters are not appropriate for compliance. Suppliers should not be assuming liability for a manufacturer's product." Of the 22 AIS products we reviewed, suppliers, not manufacturers, certified that 16 products (73 percent) were domestically produced. In most cases, the supplier listed its own business address as the location of manufacturing and said that it was certifying for "all manufacturing processes." Supplier-provided certification letters that do not provide the locations where the manufacturing processes occurred do not provide strong assurance that the products were manufactured in the United States. This increases the potential that funds for domestically produced products could be misused to purchase products produced outside the United States.¹⁵ The City of Sunnyvale risks not being able to demonstrate that products were manufactured in the United States if certification letters do not state the accurate and verifiable location of manufacturing processes.

¹⁵ According to a July 23, 2026 (rev. August 7, 2026), Government Accountability Office report, GAO-26-109100, [*Managing Risks in Federally Funded, State-Administered Programs*](#), misuse of funds is one example of a fraud risk in federally funded, state-administered programs. Using the Fraud Risk Framework in the Government Accountability Office's July 28, 2015, GAO-15-593SP report titled [*A Framework for Managing Fraud Risks in Federal Programs*](#) could help federal and state programs mitigate risks and safeguard against improper payments.

Conclusions and Recommendations

Conclusions

The Sunnyvale Project demonstrated compliance with federal domestic preference requirements but could improve its AIS compliance documentation to strengthen the EPA's oversight and reduce the potential for misuse of funds. The Office of Water has an opportunity to clarify the level of detail expected in AIS compliance documentation and the information that supplier-provided certification letters need to include. As future SRF projects are required to implement both the AIS and BABA requirements, clarity on proper documentation will be even more critical to ensure compliance.

Recommendations

We recommend that the assistant administrator for the Office of Water:

1. Develop and implement a plan to work with the California State Water Resources Control Board and the City of Sunnyvale to improve the Sunnyvale Project's American Iron and Steel certifications by providing specific product references and locations of manufacturing. Doing so would strengthen the effectiveness of the project's compliance documentation and ensure the integrity of the American Iron and Steel certification process.
2. Provide the state revolving fund programs with more clarity by communicating (1) the specificity of a product description needed in the documentation used to demonstrate compliance with the American Iron and Steel requirements and (2) that manufacturers, rather than suppliers, should provide certification letters or, if permitted, that suppliers should include the location of specific manufacturing processes on the certification letters they provide. Doing so would help ensure that all project sites have the information required for the EPA to effectively verify compliance.

Agency Response and OIG Assessment

Appendix A includes the EPA's response to our draft report. The agency also provided technical comments, which we considered and incorporated as necessary. The agency agreed with our two recommendations and provided acceptable corrective actions that meet the intent of both recommendations. The agency committed to engage with and provide technical assistance to the California State Water Resources Control Board and the City of Sunnyvale and to develop publicly available resources for stakeholders related to certification letter details and supplier-provided certification letters. Both recommendations are resolved with corrective actions pending.

Status of Recommendations

Rec. no.	Page no.	Recommendation	Status*	Action official	Planned completion date	Potential monetary benefit†	Nonmonetary benefit‡
1	11	Develop and implement a plan to work with the California State Water Resources Control Board and the City of Sunnyvale to improve the Sunnyvale Project's American Iron and Steel certifications by providing specific product references and locations of manufacturing. Doing so would strengthen the effectiveness of the project's compliance documentation and ensure the integrity of the American Iron and Steel certification process.	R	Assistant Administrator for the Office of Water	12/31/26	—	Process Improvements and Increased Program Effectiveness
2	11	Provide the state revolving fund programs with more clarity by communicating (1) the specificity of a product description needed in the documentation used to demonstrate compliance with the American Iron and Steel requirements and (2) that manufacturers, rather than suppliers, should provide certification letters or, if permitted, that suppliers should include the location of specific manufacturing processes on the certification letters they provide. Doing so would help ensure that all project sites have the information required for the EPA to effectively verify compliance.	R	Assistant Administrator for the Office of Water	12/31/26	—	Guidance Enhancement

* Status types:

- C Corrective action completed.
- R Recommendation resolved with corrective action pending.
- U Recommendation unresolved with resolution efforts in progress.

† Potential monetary benefit categories:

Funds Put to Better Use	As defined by the Inspector General Act of 1978, as amended, “a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including— (A) reductions in outlays; (B) deobligation of funds from programs or operations; (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (E) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (F) any other savings which are specifically identified.”
Questioned Costs	As defined by the Inspector General Act, “a cost that is questioned by the Office because of— (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.”
Other Monetary Impacts	Other monetary impacts that do not meet the definition of funds put to better use or questioned costs.

‡ Nonmonetary benefit categories:

Process Improvements and Increased Program Effectiveness	Actions that improve the operational efficiency of EPA systems or that generate better program execution; assist the EPA in reaching its strategic goals or objectives; or results in better delivery of program services for EPA beneficiaries, grant recipients, or other participants.
Guidance Enhancements	Actions that result in improvements to EPA policies, procedures, or program requirements, or new legislation or regulation that clarifies or strengthens existing requirements.
Increased Accuracy in Reporting	Actions that improve the completeness, precision, or transparency in the data that the EPA reports about its programs, operations, and finances.

Agency Response to the Draft Report



ASSISTANT ADMINISTRATOR FOR WATER

WASHINGTON, D.C. 20460

August 6, 2026

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OSRE-FY25-0077, *Inspection of the Sunnyvale, California, Water Treatment Project Funded by the Infrastructure Investment and Jobs Act to Verify Compliance with Domestic Preference Requirements*, dated July 14, 2026

FROM: Jessica L. Kramer Jessica Kramer Digitally signed by Jessica Kramer
Date: 2026.08.06 11:40:56 -04'00'

TO: Nicole N. Murley, Deputy Inspector General
Performing the Duties of the Inspector General

Thank you for the opportunity to review and respond to the Office of Inspector General's draft report titled, *Inspection of the Sunnyvale, California, Water Treatment Project Funded by the Infrastructure Investment and Jobs Act to Verify Compliance with Domestic Preference Requirements*, Project No. OSRE-FY25-0077, dated July 14, 2026. The following is a summary of the U.S. Environmental Protection Agency's overall position, including our stance on each of the draft report's recommendations.

AGENCY'S OVERALL POSITION

The EPA appreciates the OIG's review of Sunnyvale's compliance with the American Iron and Steel and Build America, Buy America Act requirements and applauds the implementation efforts already undertaken by the utility as described in the subject report. Furthermore, the EPA is pleased to see the OIG acknowledged the implementation resources readily available pertaining to the AIS and BABA requirements, citing OW's program implementation memoranda, trainings, and webinars available online. In addition, the EPA welcomed OIG's collaboration with program staff in preparation for this inspection and leading up to the development of this draft report.

OW agrees with OIG's two recommendations to clarify the level of detail expected in AIS compliance documentation and the information that supplier-provided certification letters should include. OW provides the proposed corrective actions below for each recommendation. For your consideration, we have also attached technical comments to supplement this response.

AGENCY'S RESPONSE TO RECOMMENDATIONS / CORRECTIVE ACTIONS

Recommendation	Office	High-Level Intended Corrective Action(s)	Estimated Completion Date
1. Develop and implement a plan to work with the California State Water Resources Control Board and the City of Sunnyvale to improve the Sunnyvale Project's American Iron and Steel certifications by providing specific product references and locations of manufacturing. Doing so would strengthen the effectiveness of the project's compliance documentation and ensure the integrity of the American Iron and Steel certification process.	EPA Office of Water	<u>Agree</u> . EPA will: 1) Engage with the California State Water Resources Control Board and the City of Sunnyvale to discuss and prioritize outreach and resources; and 2) Provide technical assistance to the California State Water Resources Control Board and the City of Sunnyvale, which may include training, developing fact sheets, or other outreach.	12/31/2026

2. Provide the state revolving fund programs with more clarity by communicating (1) the specificity of a product description needed in the documentation used to demonstrate compliance with the American Iron and Steel requirements and (2) that manufacturers, rather than suppliers, should provide certification letters or, if permitted, that suppliers should include the location of specific manufacturing processes on the certification letters they provide. Doing so would help ensure that all project sites have the information required for the EPA to effectively verify compliance.	EPA Office of Water	<u>Agree</u> . EPA will develop publicly available resources for stakeholders related to certification letter details and supplier-provided certification letters.	12/31/2026
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CONTACT INFORMATION

If you have any questions regarding this response, please contact the Office of Water's Audit Follow-up Coordinator, Carla Hagerman, at hagerman.carla@epa.gov.

ATTACHMENT

1. Technical Comments

Distribution

The Administrator
Deputy Administrator
Associate Deputy Administrator
Assistant Deputy Administrator
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Deputy Chief of Staff for Management, Office of the Administrator
Agency Audit Follow-Up Official
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Deputy Assistant Administrator for Management, Office of Water
Deputy Assistant Administrator for Regulatory and Scientific Affairs, Office of Water
Deputy Assistant Administrator for Strategic Initiatives, Office of Water
Chief of Staff, Office of Water
Deputy Regional Administrator, Region 9
Director, Office of Wastewater Management, Office of Water
Deputy Director, Office of Wastewater Management, Office of Water
OIG Liaison, Office of Policy and Regulatory Management, Office of the Administrator
GAO Liaison, Office of Policy and Regulatory Management, Office of the Administrator
Audit Follow-Up Coordinators
Audit Follow-up Coordinator, Office of Water
Audit Follow-up Coordinator, Region 9
Audit Follow-Up Coordinators



Whistleblower Protection

U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit our [website](#).

Contact us:



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