



# At a Glance

## Why We Did This Review

During our review of a hotline complaint made against the Hawaii Department of Health (DOH), the U.S. Environmental Protection Agency's (EPA's) Office of Inspector General (OIG) learned that Region 9 issued a Notice of Non-Compliance to the Hawaii DOH in 2014 relating to the Drinking Water State Revolving Fund (DWSRF) program.

Specifically, we became aware that \$8,787,000 was available for award to the Hawaii DOH for its fiscal year (FY) 2015 DWSRF capitalization grant.

We conducted this review to determine whether Region 9 should proceed with the award of the FY 2015 capitalization grant.

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

- *Protecting America's waters.*
- *Launching a new era of state, tribal, local and international partnerships.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit [www.epa.gov/oig](http://www.epa.gov/oig).

The full report is at: [www.epa.gov/oig/reports/2015/20150928-15-P-0298.pdf](http://www.epa.gov/oig/reports/2015/20150928-15-P-0298.pdf)

## Early Warning Report: EPA Region 9 Should Withhold Award of the Fiscal Year 2015 Drinking Water State Revolving Fund Grant to the Hawaii Department of Health

### What We Found

On October 24, 2014, Region 9 issued a Notice of Non-Compliance to the Hawaii DOH because DOH:

- Has not managed DWSRF funds in a sound, efficient and prudent manner, due to lack of adequate personnel and effective tools and processes.
- Has not committed and expended all funds in the DWSRF as efficiently as possible and in an expeditious and timely manner, which violates the Code of Federal Regulations and grant terms and conditions. As of June 2014, DOH

had total unspent funds of \$100 million (including \$33 million in EPA funds).

An attachment to the Notice of Non-Compliance contained 30 items that the Hawaii DOH was required to address. On January 30, 2015, DOH submitted a corrective action plan to address the items. During our review of the hotline complaint, we found that the DOH had not made adequate progress in implementing the corrective action plan. In particular, we noted that the DOH:

- Has not provided an acceptable Intended Use Plan for the state's FY 2016.
- Executed only 87 percent of the targeted loan commitments of \$56 million, resulting in a shortage of \$7.4 million.
- Disbursed only 80 percent of the targeted disbursements of \$60 million, leaving \$11.8 million in undisbursed funds.

In addition, based on our observations, projects on the fundable list may not be ready to proceed and estimated start dates may not be realistic.

### Recommendation

We recommend that the Regional Administrator, Region 9, exercise fiduciary responsibility and withhold FY 2015 funds of \$8,787,000 for the Hawaii DOH DWSRF capitalization grant until the region is satisfied with the corrective action plan implementation progress.

### Noteworthy Achievements

On September 10, 2015, the OIG briefed Region 9 on this report. On September 21, 2015, Region 9 initiated an enforcement action against Hawaii DOH for not meeting its loan commitment and disbursement targets. Region 9 advised Hawaii DOH that the FY 2015 DWSRF capitalization grant would be withheld and that the region may withhold further awards. Hawaii DOH has 30 days to appeal the region's decision.

Due to a Notice of Non-Compliance issued to the Hawaii DOH and lack of adequate progress on a corrective action plan, the EPA should withhold about \$8.8 million in FY 2015 DWSRF capitalization grant funds.