



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## Site Inspection Report

# American Recovery and Reinvestment Act Site Inspection of the High-Rate Water Treatment Facility, City of Newark, Ohio

Report No. 10-R-0147

June 16, 2010



**Report Contributors:**

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**Cover photo:** Wastewater treatment facility under construction at the City of Newark, Ohio.  
(EPA OIG photo)



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

The U.S. Environmental Protection Agency's Office of Inspector General conducts site visits of American Recovery and Reinvestment Act of 2009 (Recovery Act) clean water and drinking water projects. We selected a project in the City of Newark, Ohio, for review.

## Background

The City received a \$20,360,232 loan from the Ohio Environmental Protection Agency and the Ohio Water Development Authority under the Clean Water State Revolving Fund program. This amount included \$5,000,000 in Recovery Act funds for principal forgiveness. The City will construct a high-rate treatment facility at its wastewater treatment plant.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2010/20100616-10-R-0147.pdf](http://www.epa.gov/oig/reports/2010/20100616-10-R-0147.pdf)

## ***American Recovery and Reinvestment Act Site Inspection of the High-Rate Water Treatment Facility, City of Newark, Ohio***

### **What We Found**

We conducted an onsite inspection of the water treatment project in the City of Newark, Ohio, in December 2009. As part of our inspection, we toured the project, interviewed City representatives and contractor personnel, and reviewed documentation related to Recovery Act requirements.

Based upon our site inspection, nothing came to our attention that would require action from the City, the State of Ohio, or the U.S. Environmental Protection Agency.



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

OFFICE OF  
INSPECTOR GENERAL

June 16, 2010

**MEMORANDUM**

**SUBJECT:** American Recovery and Reinvestment Act  
Site Inspection of the High-Rate Water Treatment Facility,  
City of Newark, Ohio  
Report No. 10-R-0147

**FROM:** *Melissa M. Heist*  
Melissa M. Heist  
Assistant Inspector General for Audit

**TO:** Susan Hedman  
Regional Administrator, Region 5  
U.S. Environmental Protection Agency

This is our report on the subject site visit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The report summarizes the results of our site inspection of a City of Newark, Ohio, high-rate water facility project.

We performed this site inspection as part of our responsibility under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purpose of our site inspection was to determine the City's compliance with selected requirements of the Recovery Act pertaining to the Clean Water State Revolving Fund program. The Ohio Environmental Protection Agency approved the City's project. The City received a \$20,360,232 loan, including \$5,000,000 in Recovery Act funds for principal forgiveness.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rate in effect at the time – is \$117,789.

**Action Required**

Because this report contains no recommendations, you are not required to respond to this report. The report will be made available at <http://epa.gov/oig>. If you or your staff have any questions regarding this report, please contact Robert Adachi at (415) 947-4537 or [adachi.robert@epa.gov](mailto:adachi.robert@epa.gov), or Leah Nikaidoh at (513) 487-2365 or [nikaidoh.leah@epa.gov](mailto:nikaidoh.leah@epa.gov).

## Purpose

The purpose of our review was to determine the City of Newark, Ohio's, compliance with requirements for subrecipients of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds under the Clean Water State Revolving Fund program.

## Background

The City received a \$20,360,232 loan from the Ohio Environmental Protection Agency and the Ohio Water Development Authority under the Clean Water State Revolving Fund program. This amount included \$5,000,000 in Recovery Act funds for principal forgiveness. The City will construct a high-rate treatment facility at its wastewater treatment plant.

## Scope and Methodology

Due to the time-critical nature of Recovery Act requirements, we did not perform this assignment in accordance with generally accepted government auditing standards. Specifically, we did not perform certain steps that would allow us to obtain information to assess the City's internal controls and any previously reported audit concerns. As a result, we do not express an opinion on the adequacy of the City's internal controls or compliance with all federal, State, or local requirements.

We conducted an onsite inspection at the City during December 1-2, 2009. During our inspection, we:

1. Toured the project
2. Interviewed City and contractor personnel
3. Reviewed documentation maintained by the City or its contractors on the following matters:
  - a. Buy American requirements under Section 1605 of the Recovery Act
  - b. Davis-Bacon Act wage requirements under Section 1606 of the Recovery Act
  - c. Contract procurement
  - d. Financial management and reporting requirements under Section 1512 of the Recovery Act

## Results of Site Inspection

Based upon our site inspection, nothing came to our attention that would require action from the U.S. Environmental Protection Agency, the State of Ohio, or the City. We have summarized specific inspection results below.

### ***Buy American Requirements***

The project was exempt from the Buy American requirements. The City qualified for the nationwide Buy American requirements waiver for both of its prime contracts. The City advertised for bids on December 5, 2008, and opened the bids on January 15, 2009. Both

the bid advertisement and bid opening dates were within the nationwide Buy American waiver timeframe of October 1, 2008, to February 17, 2009. The City advertised for bids in anticipation of receiving funding from the State. Therefore, the City qualifies for the nationwide Buy American waiver and is exempt from the requirements.

### ***Davis-Bacon Act***

We reviewed the City's compliance with the Davis-Bacon Act, and no issues came to our attention. To comply with Davis-Bacon Act requirements, contractors signed weekly payrolls certifying compliance with Davis-Bacon Act rates. The contractors submitted certified payroll reports to the City's utilities superintendent. The superintendent randomly checks the payroll reports to ensure compliance with Davis-Bacon Act requirements. We reviewed certified payrolls and verified compliance with Davis-Bacon Act rates.

### ***Contract Procurement***

We reviewed the City's procurement of its contractors, and no issues came to our attention. The City hired two construction contractors, one for general construction/HVAC/plumbing work and one for electrical work. Each contract was a lump-sum agreement. The City awarded the contracts competitively to the lowest bidder using the sealed-bid method.

### ***Financial Management and Reporting.***

We reviewed the Water Pollution Control Loan Fund Agreement that the City entered into with the State of Ohio on February 12, 2009. We also reviewed the supplement to the loan agreement that the City signed on July 12, 2009. No issues came to our attention.

The City initially estimated that it would create or retain approximately 204 jobs due to the Recovery Act funding it received. We obtained copies of the Recovery Act jobs created/retained reports the City submits to the Ohio Environmental Protection Agency to determine the process the City is using to provide information to the State. The State uses this information to prepare the report required under Section 1512(c) of the Recovery Act.

Based on our review of the reports, the information provided meets Recovery Act requirements. In its first quarterly report, the City reported that it created or retained 26.8 jobs from July through September 2009. In its second quarterly report, the City reported that it had created or retained 24.15 jobs from October through December 2009. In its third quarterly report, the City reported that it created or retained 18.29 jobs from January through March 2010, and that the City had completed approximately 33 percent of the project.

## **Recommendations**

We have no recommendations.

## **Subrecipient's Response and Office of Inspector General Comment**

We held an exit conference with the City of Newark on June 9, 2010. The City had no comments, since the report did not have any findings. The Office of Inspector General also had no comments.

## **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
No recommendations							

<sup>1</sup> O = recommendation is open with agreed-to corrective actions pending  
 C = recommendation is closed with all agreed-to actions completed  
 U = recommendation is undecided with resolution efforts in progress



**Appendix A**

***Distribution***

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