



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

As a followup to a prior audit on the Alaska Village Safe Water Program, we sought to answer the following question: Did Environmental Protection Agency (EPA) Region 10 meet EPA guidelines before awarding the program grant of \$34 million in 2004?

Background

In 1996, Congress amended Section 303 of the Safe Drinking Water Act to authorize grants to fund mostly infrastructure under Alaska's Village Safe Water Program. Prior to August 2004, Region 10 had awarded \$232 million to Alaska to fund the Village Safe Water Program. On August 18, 2004, the Region awarded an additional \$34 million.

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

To view the full report, click on the following link:

www.epa.gov/oig/reports/2005/20050616-2005-P-00015.pdf

Region 10's Grant for Alaska Village Safe Water Program Did Not Meet EPA Guidelines

What We Found

Region 10 did not meet EPA guidelines before awarding the Village Safe Water Program grant to the State of Alaska Department of Environmental Conservation. The Region did not ensure that specific environmental objectives and the scope of the work were clear, or assess whether there was a reasonable chance that overall environmental objectives could be achieved.

Further, the Region did not complete the cost review of the individual projects until 3 months after awarding the grant. After the grant award, the Region recommended eliminating six ineligible projects valued at almost \$4.8 million, so the Region needs to amend the grant to exclude the ineligible projects. Timely cost reviews could have prevented inclusion of these ineligible projects.

The Region needs to modify the grant to remove approval for advance draws that are contrary to Federal cash management requirements. Also, the Region needs to document the cost review of \$1.6 million in administrative costs, and clarify the period they cover. While the grant has project and budget periods of 5 years, the Region stated that the administrative costs only covered a 1-year period. The Region needs to clarify this matter to ensure sufficient administrative support for the entire 5-year budget period and compliance with Congressional limitations.

The conditions noted occurred even though Region 10 was aware of the findings and recommendations in our previous report that identified improvements were needed in the award and oversight of Village Safe Water Program grants. The Region stated that it made the 2004 grant award because of financial concerns over the State's program. However, without performing the necessary steps, there were no assurances that the proposed projects met technical and programmatic guidelines and achieved maximum value.

What We Recommend

We recommend that Region 10 suspend work under the grant until all pre-award steps are completed, and establish controls to ensure that Region 10 fulfills all EPA requirements before awarding grants. The Region believed that it had already taken the action needed to fulfill all pre-award steps and that it was unnecessary to suspend the grant.

Based on the Region's response to the draft report, we revised our recommendations to have Region 10 assure that the State's accounting of administrative costs meet regulatory and statutory requirements. We also recommend that Region 10 place the State on a reimbursement payment basis until compliance with cash management requirements are verified.