



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We conducted this special review to determine whether the States receiving State Revolving Funds comply with the subrecipient monitoring requirements of the Single Audit Act, Clean Water Act, and Safe Drinking Water Act. We also reviewed procedures the States use to prevent and detect fraud in the State Revolving Funds.

## Background

The State Revolving Funds are the U.S. Environmental Protection Agency's (EPA's) largest programs, with approximately \$74 billion in loans and other type of assistance outstanding as of June 30, 2007. About \$1.5 billion was awarded in 2008. The goal of subrecipient monitoring is to ensure projects meet performance goals and borrowers spend federal funds in accordance with the intent of the laws and regulations.

**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/2008/20080929-08-P-0290.pdf](http://www.epa.gov/oig/reports/2008/20080929-08-P-0290.pdf)

## ***Innovative Techniques for State Monitoring of Revolving Funds Noted***

### **What We Found**

In general, the States we reviewed complied with subrecipient monitoring requirements. Our review identified several innovative techniques and procedures some States use to comply with the subrecipient monitoring requirements of the Single Audit Act, Clean Water Act, and Safe Drinking Water Act. Two States take advantage of current technology, such as e-mail and the Internet, to reduce the number of on-site inspections yet are able to track current construction activity. Two other States analyze subrecipient audit reports not only to track financial condition but also to make trend and ratio analyses to project on a subrecipient's ability to repay a loan in the future.

We did note two minor areas EPA should address. Only 59 percent of the States we reviewed identify the federal award information to the recipient, and EPA's Annual Performance Evaluation should include an evaluation of the States' subrecipient monitoring procedures. We suggest that EPA require all States to notify borrowers of federal award information to assure they can comply with the Single Audit Act. We also suggest that EPA include a review of how States monitor borrowers as part of its annual review procedures.