



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

MEMORANDUM

SUBJECT: 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

Report Number: 15-P-0298

JAN 28 2016

Report Date: September 28, 2015

FROM: Serena A. McIlwain 
Assistant Regional Administrator, Region 9

TO: John Trefry
Director of Forensic Audits
Office of Inspector General

At your request, our Region has reviewed the subject audit recommendation identified in your transmittal memo dated September 28, 2015. We are providing you our proposed management decision on the finding and recommendation contained in your early warning report.

Recommendation 1:

"Exercise Fiduciary responsibility and withhold FY2015 funding of \$8,787,000 for the DWSRF capitalization grant to the Hawaii DOH until Region 9 is satisfied with CAP implementation progress."

Region 9 Response:

On September 21, 2015, we took grant enforcement action against the Hawaii Department of Health for failure to comply with the corrective action plan established in response to our October 24, 2014, notice of non-compliance issued under the Safe Drinking Water Act. The HDOH failed to meet requirements of the corrective action plan pertaining to the commitment of DWSRF funds to new loan agreements and the disbursement of DWSRF funds.

We withheld \$8,098,680 of the FY2015 allotment until HDOH signed at least \$28,283,883.00 in new assistance agreements and disbursed \$7,674,832.29 in program funds by January 29, 2016. On January 7, 2016, Dr. Virginia Pressler, Director of the Hawaii Department of Health, notified EPA that they had met and exceeded these

required commitment and disbursement targets. A more detailed description of these actions and Hawaii Department of Health's January 6, 2016 letter is attached.

We have reviewed and confirmed that these targets were met during our site visit on January 5, 2016. We have concluded that HDOH has made satisfactory progress in implementing the corrective action plan, and we have informed HDOH of the steps needed to apply successfully for the remainder of the FY2015 grant funds.

Our Region 9 SRF Team continues to work with HDOH and we will closely monitor implementation of the remainder of the corrective action plan. Should you have any further questions, please feel free to contact Susan Polanco at polanco.susan@epa.gov or 808.541.2722.

Per EPA Order 2750, please let me know within 15 calendar days whether you find this response acceptable. Should you or your staff have any comments, questions, or concerns, please contact Magdalen Mak, Regional Audit Follow-up Coordinator at (415) 972-3773.

Attachment

cc: Lela Wong, Auditor, OIG
Angela Bennett, Auditor, OIG