



At a Glance

Why We Did This Project

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) initiated this audit of the city of Houston's use of funds and contracting practices under the Clean Water State Revolving Fund (CWSRF) to determine whether:

- The CWSRF funds are being properly used to fund eligible projects.
- Contracts awarded for CWSRF projects are in compliance with applicable eligibility requirements.
- The city adequately monitors and appropriately reports the results of its prime contractor's use of Minority and Women Business Enterprises.

Eligible CWSRF uses include constructing publicly owned wastewater treatment works, implementing a nonpoint source pollution control management program, and developing and implementing an estuary conservation/management plan.

This report addresses the following:

- *Ensuring clean and safe water.*
- *Partnering with states and other stakeholders.*

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City of Houston Complied with Clean Water State Revolving Fund Requirements

What We Found

We found that the procurement practices followed by the city of Houston in the award of contracts for its sanitary sewer and collection system rehabilitation projects complied with CWSRF requirements. Also, the city adequately monitored its prime contractor's use of Minority and Women Business Enterprises. The city has no requirement for reporting Minority and Women Business Enterprises utilization to the EPA; rather, the Texas Water Development Board is required to submit annual utilization reports of its loan recipients to the EPA based on 40 CFR Part 33.

We questioned whether point repairs to address customer complaints under four Houston contracts were eligible under the CWSRF, and EPA Region 6 concluded that they were.

Regarding project eligibility, we found that certain work orders for point repairs issued under contracts for the collection system rehabilitation project may not be considered eligible under the CWSRF. The point repair work resulting from customer complaints could be considered operation and maintenance and, as such, would not be eligible for funding under the CWSRF. The city issued several point repair contracts to help address the high volume of customer complaints throughout the city. We were told by the city that similar repair work performed by city crews is usually considered operation and maintenance work while the work performed by the contractors is considered a capital improvement. If the contractors and city crews are doing similar work, the OIG sees no basis for the city to treat the work differently.

Of the six contracts sampled, the OIG determined that only two of the contracts, totaling \$6,908,318, for the sanitary sewer rehabilitation project, were eligible under the CWSRF. The four remaining contracts, totaling \$10,049,971, for the collection system rehabilitation project, include point repair work to address customer complaints. The OIG was unable to draw a definitive conclusion on the eligibility of the work performed under these contracts.

Recommendation and Agency Response

We recommended that the Regional Administrator, EPA Region 6, determine whether the point repair work performed is eligible under the CWSRF and recoup any expenses for work determined not eligible. EPA Region 6 has addressed the recommendation and has determined that the work is eligible. The region's determination meets the intent of the recommendation. The OIG considers the corrective action complete.