



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

SEP 22 2014

OFFICE OF WATER

MEMORANDUM

SUBJECT: Application of Equivalency Under the Federal Funding Accountability and Transparency Act

FROM: George Ames, Chief
Clean Water State Revolving Fund Branch

Charles Job, Chief
Infrastructure Branch

Two handwritten signatures in blue ink are present. The first signature, "George Ames", is written over the name "George Ames, Chief" and extends to the right. The second signature, "Charles Job", is written below the first and extends to the left.

TO: Water Division Program Managers, Regions I-X

The purpose of this memorandum is to clarify the application of equivalency within Clean Water (CWSRF) and Drinking Water (DWSRF) State Revolving Fund Programs in order to meet Federal Funding Accountability and Transparency Act (FFATA) requirements.

Historically, the purpose of equivalency within the SRF programs is to allow states to select a group of loans the sum of which is equal to the amount of a capitalization grant to meet crosscutter or single audit requirements. In June of 2014 the Water Resources Reform Development Act introduced a new equivalency requirement that applies to architectural and engineering (A/E) procurement.

Introduced in 2010, FFATA requires SRF programs to report on recipients that received federal dollars in the FFATA Subaward Reporting System (FSRS). As with crosscutter and single audit requirements, FFATA requirements only apply to federal funds. To comply with FFATA State programs must report on loans receiving federal dollars or select a group of loans to report on equal to the amount of their SRF capitalization grant.

Prior to FFATA EPA allowed State programs to select different groups of loans in order to meet equivalency requirements. However, this practice is problematic in light of FFATA. Loans selected to meet federal crosscutter, single audit, and A/E procurement

requirements are considered federal loans under FFATA and must be reported in FSRS. Selecting separate groups of equivalency loans (each being equal to the capitalization grant) would result in an amount reported in FSRS that far exceeds the SRF capitalization grant.

Effective immediately, state SRF programs must use the same group of loans for the purpose of meeting federal crosscutter, single audit, A/E procurement, and FFATA reporting requirements. Doing so will achieve consistency in meeting program requirements and eliminate the possibility of over-reporting information under FFATA.

Funds used for set-aside activities in the DWSRF program are to be considered federal dollars with respect to FFATA and all cross-cutter requirements. Because FFATA only requires reporting for subaward obligations of \$25,000 or more, only those set-aside activities that meet or exceed that amount need to be reported to FSRS. If a state has set-aside activities that do not meet this criteria, those dollars do not need to be made up for in loan activities for FFATA reporting. As a result, it is likely that states will not report all grant dollars for the DWSRF to FSRS and states should understand that this is acceptable.

Thank you for your cooperation in implementing this practice. If you have any questions please contact Matt King with the CWSRF Program at (202) 564-2871 or Howard Rubin with the DWSRF Program at (202) 564-2051.

