



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

OFFICE OF  
INSPECTOR GENERAL

March 11, 2013

**MEMORANDUM**

**SUBJECT:** Notification Memorandum on Review of the Pace of State Expenditures in the  
Drinking Water State Revolving Fund Program  
Project Number OA-FY13-0214

*Melissa M. Heist*

**FROM:** Melissa M. Heist, Assistant Inspector General for Audit

**TO:** Nancy K. Stoner, Acting Assistant Administrator  
Office of Water

Jared Blumenfeld, Regional Administrator  
Region 9

The Office of Inspector General plans to begin preliminary research on the pace of state expenditures in the Drinking Water State Revolving Fund program. This project is included in the OIG's fiscal year 2013 annual plan.

The Office of Water and regions have been concerned about the DWSRF program's timely and efficient use of federal capitalization grants for years. Several priorities were established to strengthen the program, including, increasing the speed with which appropriated funds move to projects. We will conduct a review to answer the following questions:

- Has the EPA identified the barriers to states using DWSRF within a reasonable amount of time?
- Have the EPA and state actions taken to address large balances of DWSRF unliquidated obligations reduced such obligations?
- Do the EPA's internal controls to manage the expenditure of funds and unliquidated obligations for the DWSRF address the pace of expenditures?

For preliminary research, the OIG plans to conduct work at the EPA headquarters, Region 9, and several states in Region 9. Region 9 was selected because of the large balance of unliquidated

obligations. If based on preliminary research we decide to continue with the audit, we may visit other regions and states.

We would like to meet with you during the week of March 18, 2013, to discuss the purpose of our audit. Also, we would be particularly interested in any areas of concern that you may have. We will answer any questions you may have about the project objectives, reporting procedures, methods used to gather and analyze data, and what we should expect of each other during the course of the audit. We will contact the audit liaison to arrange a specific time and date for the meeting.

At the time of the kick-off meeting, the audit team will be visiting the Office of Water in headquarters to interview staff regarding the DWSRF program. During this visit, the audit team is requesting a briefing from Office of Water staff on the DWSRF. The OIG project manager, Mary Anne Strasser, will contact the audit liaison to set up the briefing.

We are requesting that you provide the following information to Mary Anne Strasser ([strasser.maryanne@epa.gov](mailto:strasser.maryanne@epa.gov)) prior to the initial meeting:

1. The latest DWSRF Needs Survey.
2. DWSRF unliquidated obligations as of February 28, 2013, for each state, by year of appropriation.
3. Financial and program measures or indicators that EPA uses to monitor states' use of DWSRF funds.
4. The most recent DWSRF annual report.
5. Responses to an August 21, 2006, Office of Water memorandum requesting regional water division directors to identify the underlying cause(s) of the unliquidated obligations.

The director for this project will be Janet Kasper. If you or your staff have any questions, please contact her at (312) 886-3059 or [kasper.janet@epa.gov](mailto:kasper.janet@epa.gov).

cc: Peter C. Grevatt, Director for Office of Ground Water and Drinking Water, Office of Water  
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