



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency, Office of Inspector General, conducts site visits of American Recovery and Reinvestment Act of 2009 (Recovery Act) clean water and drinking water projects. The purpose of our visit was to address a hotline complaint involving compliance with the Recovery Act's Buy American requirements. The city received a \$4,875,000 loan from the Indiana Finance Authority (IFA) under the Indiana Wastewater State Revolving Fund Loan Program. The loan included \$1,769,000 in Recovery Act funds. The city used these funds to rehabilitate and improve its wastewater treatment plant.

This report addresses the following EPA Goal or Cross-Cutting Strategy:

- *Protecting America's waters*

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2012/20120912-12-R-0789.pdf

American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant Improvements Project, City of Nappanee, Indiana

What We Found

In September 2010 and May 2011, we visited the Wastewater Treatment Plant Improvements Project in the City of Nappanee, Indiana. As part of our site visit, we toured the project, visually inspected equipment and materials, interviewed IFA and city officials and their employees, reviewed manufacturers' substantial transformation supporting documentation, and reviewed documentation related to Buy American requirements.

We noted in our draft report 7 of 32 instances where the city could not demonstrate compliance with Buy American requirements as set out in Section 1605 of the Recovery Act. In response, the city provided documentation and agreed to take corrective actions to replace two items with products that meet the Buy American requirements. We agree that six of the seven items now comply with the requirements. For the one remaining item, the city could not demonstrate that it was manufactured in the United States, as required by the Recovery Act. As a result, the project is not eligible for the \$1,769,000 of Recovery Act funds authorized by the state unless the U.S. Environmental Protection Agency exercises a regulatory option.

Recommendations and Planned Agency Corrective Actions

We recommend that Region 5 employ the procedures set out in Title 2 of the Code of Federal Regulations (CFR) to ensure compliance with the Buy American requirements. If the region decides to retain the foreign manufactured goods in the Nappanee project under 2 CFR §176.130 (c)(3), the region should either "reduce the amount of the award by the cost of the steel, iron, or manufactured goods that are used in the project or ... take enforcement or termination action in accordance with the agency's grants management regulations." We also recommend that the region require IFA to verify the city's corrective actions taken and ensure the replaced items meet the Buy American requirements.

Neither the region nor the city agreed with our conclusion that the documentation was not sufficient to support Buy American compliance. The Agency agreed with our recommendation to verify the city's corrective actions, and indicated the Agency visited the project and verified the agreed-to removal and replacement of items.