




OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

September 19, 2023

MEMORANDUM

SUBJECT: Notification: Audit of the States' and the Commonwealth of Puerto Rico's
Compliance with the Clean Water and Drinking Water State Revolving Fund Annual
Financial Statement Audit Requirements
Project No. OA-FY23-0097

FROM: Devon Padula, Director 
Drinking Water Investments Directorate
Office of Audit

TO: Radhika Fox, Assistant Administrator
Office of Water

The U.S. Environmental Protection Agency Office of Inspector General plans to begin a self-initiated audit. This audit addresses the following fiscal year 2023 top [management challenge](#) for the Agency: managing increased investment in infrastructure.

Our objective is to determine whether the states and the Commonwealth of Puerto Rico complied with clean water and drinking water state revolving fund annual financial statement audit requirements for 2022. We plan to conduct work within the Office of Water, the EPA regional offices, the states, and the Commonwealth of Puerto Rico, as needed. We will use applicable generally accepted government auditing standards to conduct our audit. The anticipated benefits of this audit include ensuring that the states and the Commonwealth of Puerto Rico have annual audited financial statements for their state revolving funds that can inform the EPA's determination of whether the funds are operating as intended. Annual audited financial statements for the funds provide the EPA with assurances that the statements are presented in accordance with generally accepted accounting standards and that the internal control structure is adequate to safeguard the assets of the funds.

We will contact you to arrange a mutually agreeable time to discuss our objective. At that time, we can discuss any concerns that you may have and answer any questions about the audit process, reporting procedures, methods used to gather and analyze data, and what we should expect of each other during the audit. Throughout the audit, we will provide updates on a regular basis.

We respectfully note that the Inspector General Act of 1978, as amended, authorizes the OIG to have timely access to personnel and all materials necessary to complete our objectives. Similarly, EPA Manual 6500, *Functions and Activities of the Office of Inspector General* (1994), requires that each EPA employee cooperate with and fully disclose information to the OIG. Also, Administrator Michael S. Regan, in a

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May 16, 2023 email to EPA employees, stated that the “agency and its employees have a duty to cooperate with OIG” and observed that “full engagement and collaboration between the OIG and EPA provides our agency with the opportunity to improve program performance and efficiency.” If an Agency employee or contractor refuses to provide requested materials to the OIG or otherwise fails to cooperate with the OIG, we will request that you immediately resolve the situation. Consistent with the Inspector General Act, we may report unresolved access matters to the administrator and to Congress.

We will post this memorandum on our public website at www.epaoig.gov. Anyone with knowledge of potential fraud, waste, abuse, misconduct, or mismanagement related to this audit should contact the OIG Hotline at (888) 546-8740 or via an electronic form on the “OIG Hotline” [webpage](#).

cc: Janet McCabe, Deputy Administrator
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