



At a Glance

Lack of State Financial Support and Local Capacity Prolonged Jackson, Mississippi Drinking Water Issues

Why We Did This Audit

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to identify federal funding and spending decisions related to drinking water in Jackson, Mississippi. Specifically, our audit objective was to identify award and expenditure decisions at the state and local level related to the community water system in Jackson.

From fiscal year 2015 through 2022, the EPA awarded the State of Mississippi Drinking Water State Revolving Fund over \$81 million in capitalization grants and the Mississippi State Department of Health awarded nearly \$265 million in Drinking Water State Revolving Fund loans to all its loan recipients combined; \$51 million in loans were awarded to Jackson from 2016 through 2021.

To support these EPA mission-related efforts:

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

To address these top EPA management challenges:

- Maximizing compliance with environmental laws and regulations.
- Overseeing, protecting, and investing in water and wastewater systems.

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What We Found

The City of Jackson's funding for its water system did not address the capacity issues at the O.B. Curtis Water Treatment Plant, leading to chronic problems with operations and maintenance. For example, a \$2.7 million corrosion control system at O.B. Curtis funded by a Drinking Water State Revolving Fund, or DWSRF, loan repeatedly malfunctioned because of inconsistent maintenance, which resulted in increased water treatment costs. Various Jackson departments did not effectively communicate the water system's capacity issues internally, which only served to exacerbate the problems facing O.B. Curtis and the city's water system. In addition, while the Mississippi State Department of Health, or MSDH, took informal compliance and enforcement actions with Jackson, it did not provide additional technical assistance to Jackson through the Local Assistance and Other State Programs set-aside. Because of the city's inability to maintain its water system infrastructure, O.B. Curtis was unable to respond to the flooding of the Ross Barnett Reservoir in August 2022. This failure initiated emergency drinking water declarations that resulted in emergency funding from the federal government and the appointment of an interim third-party manager to stabilize and improve operations at O.B. Curtis.

We found that the MSDH could have been more proactive in the years leading up to Jackson's water system failure in providing flexible DWSRF loan options for disadvantaged communities like Jackson. The Safe Drinking Water Act provided different funding options for states to help disadvantaged communities better afford DWSRF loans, including increased loan subsidies, extended loan terms, and reduced interest rates. However, the MSDH did not make these flexible loan and subsidy options available to disadvantaged communities, including Jackson, until after June 2021. Also, only after Jackson requested a refinance in October 2022 did the MSDH approve refinancing the city's DWSRF loans. Had the MSDH provided flexible loan options for disadvantaged communities in a timelier manner, Jackson may have decided earlier to request and use these options to lower its financing costs to improve its water system. Additionally, these funding options could help other disadvantaged communities in Mississippi better afford investing in their drinking water infrastructure.

Jackson may have better and in a timely manner addressed its drinking water issues if it had sufficient technical, managerial, and financial capacity and received more funding options and assistance from Mississippi.

Recommendation and Planned Agency Corrective Actions

We recommend that the Region 4 regional administrator provide training to the MSDH on the *DWSRF Disadvantaged Community Definitions: A Reference for States* to assist it in exploring options to refine assistance programs to better support disadvantaged communities in need. Region 4 agreed with our recommendation, and the Agency's planned corrective actions meet the intent of our recommendation. Therefore, we consider this recommendation resolved with corrective actions pending.