



At a Glance

The EPA Left \$20 Million Unawarded in the Sewer Overflow and Stormwater Reuse Municipal Grants Program

Why We Did This Audit

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether the EPA is managing its Sewer Overflow and Stormwater Reuse Municipal Grants Program in a proper and timely manner in accordance with applicable laws, regulations, policies, and guidance.

The program provides grants to states and U.S. territories. In this report we use **states** to refer to states, the District of Columbia, and U.S. territories. The intent of the Sewer Overflow and Stormwater Reuse Municipal Grants Program is to allow states to make subawards to municipalities to plan, design, and construct projects for infrastructure that controls stormwater and prevents the release of raw sewage into nearby water bodies. The EPA reported that, as of January 2022, over \$630 billion was needed nationwide to fund projects that address water quality or water-quality-related public health problems. Congress appropriated \$202 million for the program for fiscal years 2020 through 2024.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

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What We Found

The EPA did not consistently manage its Sewer Overflow and Stormwater Reuse Municipal Grants, or OSG, Program in accordance with some applicable laws, regulations, policies, and guidance. We found that, as of January 10, 2024, the EPA had not awarded approximately \$20 million, or about 18 percent, of the approximately \$110 million allocated to states within the OSG Program for fiscal years 2020 through 2022. In addition, the EPA failed to meet its statutory requirement to submit a report to Congress, provided insufficient justification on required merit review worksheets, and allowed a cost share to be imposed on a grant that should have been exempt because the communities to benefit were rural or financially distressed.

These management lapses partly occurred because some states did not apply for OSG funds and the EPA did not issue guidance to the regions on reallocating unawarded OSG funds. Also, the EPA did not set up mechanisms to gather information on program progress and store pertinent OSG information centrally, implement control steps to ensure that OSG grant applications were adequately reviewed by the regions, or issue guidance to the regions in a timely manner on the cost-share requirement imposed by the Infrastructure Investment and Jobs Act.

Some of the EPA's management lapses—a lack of transparency and accountability and an ineffective control—increased the risk for fraud, waste, and abuse within the OSG Program. Most importantly, the approximately \$20 million in unawarded OSG funds led us to conclude that needed infrastructure projects may have gone unfunded. The unawarded funds also may lead the public and Congress to conclude that additional funding is not urgently needed.

The approximately \$20 million in unawarded OSG funds are funds that potentially could be put to better use.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Water update OSG implementation guidance so that it includes procedures to award and reallocate funds in a timely manner; work with regions to accelerate the award of program funds; improve program reporting by completing the required report to Congress and populating established data storage platforms with OSG Program information; implement control steps to ensure that OSG grant applications are adequately reviewed; and examine OSG grants to determine whether grants align with nonfederal cost-share flexibilities and amend grants, as appropriate.

The Agency disagreed with the recommendation to update the implementation guidance and work with regions to accelerate the award of program funds. Resolution efforts are in progress. The Agency agreed with the other four recommendations and provided acceptable corrective actions and estimated completion dates.