



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

OFFICE OF
INSPECTOR GENERAL

October 20, 2021

MEMORANDUM

SUBJECT: Notification of Audit:
Drinking Water State Revolving Fund Loan Subsidies to Disadvantaged Communities
Project No. OA-FY22-0020

FROM: Michael D. Davis, Director *Michael D. Davis*
Environmental Investment and Infrastructure Directorate
Office of Audit

TO: Radhika Fox, Assistant Administrator
Office of Water

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin an audit of drinking water state revolving fund loan subsidies to disadvantaged communities. This audit is being initiated to better understand if states meet their loan subsidies goals for disadvantaged communities as identified in their intended-use plans. This audit is part of OIG's oversight plan for fiscal year 2022 and addresses the following fiscal year 2022 top management challenge for the Agency: Integrating and Leading Environmental Justice Across the Agency and Government.

The OIG's objectives are to determine to what extent:

1. States have met their drinking water state revolving fund loan subsidy goals for disadvantaged communities as identified in their intended-use plans.
2. The EPA has identified and addressed barriers, if any, that hindered states from spending the maximum allowed on loan subsidies for disadvantaged communities in their drinking water state revolving funds.

The OIG plans to conduct work primarily at the Office of Water and at select EPA regions and states. Applicable generally accepted government auditing standards will be used in conducting our audit. The anticipated benefits of this audit will be better information on drinking water state revolving fund loan subsidies to disadvantaged communities, recommendations on removing barriers for spending the maximum allowed on loan subsidies, and establishment of a foundation for the EPA to achieve the goals of the Justice40 Initiative.

We will contact the Office of Water audit follow-up coordinator to arrange a mutually agreeable time for an entrance conference to discuss our objectives. We would also be particularly interested in any areas of concern that you and your staff may have. We will answer any of your 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.

To expedite our audit, please be ready to provide contact information for the following at the entrance conference:

- EPA drinking water state revolving fund coordinators for the ten regions.
- Managers for the 51 state drinking water revolving fund programs.
- Office of Ground Water and Drinking Water staff overseeing the state program evaluation reports.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978, as amended, to have timely access to personnel and all materials necessary to complete its 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 an April 28, 2021 email message to EPA employees, conveyed his “expectation that EPA personnel provide OIG timely access to records or other information” and observed that “full cooperation with the OIG is in the best interest of the public we serve.” We will request that you immediately resolve the situation if an Agency employee or contractor refuses to provide requested materials to the OIG or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the administrator and include the incident in the *Semiannual Report to Congress*.

We will post this memorandum on our public website at www.epa.gov/oig.

cc: Janet McCabe, Deputy Administrator
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Wesley J. Carpenter, Deputy Chief of Staff, Office of the Administrator
Benita Best-Wong, Deputy Assistant Administrator for Water
Tiffany Crawford, Audit Follow-Up Coordinator, Office of Water
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