



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

As part of our efforts to review the U.S. Environmental Protection Agency's (EPA's) management of American Recovery and Reinvestment Act (ARRA) funding, we evaluated whether EPA has developed and implemented adequate controls to ensure that States actively solicited for green reserve projects before reprogramming such funds to traditional projects.

Background

The Clean Water and Drinking Water State Revolving Funds provide low-interest loans for protecting water quality and public health. The ARRA provided \$6 billion in capitalization grants to the States for these funds. ARRA required at least 20 percent of this funding to support green projects: water or energy efficiency, green infrastructure, or environmentally innovative activities.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2010/20100201-10-R-0057.pdf

EPA Needs Definitive Guidance for Recovery Act and Future Green Reserve Projects

What We Found

EPA has not provided clear and comprehensive guidance to States for how to determine the eligibility of green reserve projects. EPA was promoting a green approach to wastewater and drinking water programs for at least a year prior to the ARRA's enactment. Despite that experience, EPA did not develop and issue clear and comprehensive guidance in time to meet many of the States' needs. For example, EPA did not provide guidance on how to solicit and select green projects until after many States had finished doing so, and some States felt the need to resolicit for green projects while others did not.

EPA's guidance and subsequent updates have not addressed important aspects of project selection. At the time of this review, EPA had not established water and energy efficiency threshold ranges for many types of green projects. Also, the Agency still had not provided sufficient information to States on how to develop business case justifications for non-categorical projects. Moreover, changes over time in EPA's guidance for how to determine project eligibility resulted in EPA regions applying different standards for approving States' green project proposals.

EPA cannot provide a reasonable assurance that its green reserve projects will meet Congress' objectives without issuing guidance that sets definitive expectations. Additionally, future green funding may face similar issues.

What We Recommend

In its formal response to the draft report, the Agency did not agree or disagree with the recommendations. Subsequently, OIG was told the Agency nonconcurred with the draft report's recommendations and alternative recommendations were informally proposed which were acceptable to OIG. We amended the recommendations in this report to incorporate the informal proposal; however the recommendations are undecided pending formal Agency approval or rejection. The revised recommendations are for EPA to develop and revise guidance, information, and, as appropriate, specific criteria that States can employ to assist them in identifying green reserve projects. We also recommend that EPA conduct timely reviews of States' submitted green projects and, where necessary, business cases.