



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

OFFICE OF  
WATER

**CWSRF 99-08**  
**DWSRF 99-04**

**MEMORANDUM**

**SUBJECT:** CW & DW State Revolving Fund Capitalization Grant Close-out Guidance

**FROM:** Richard Kuhlman, Chief /s/  
State Revolving Fund Branch

Connie Bosma, Chief /s/  
Regulatory Implementation Branch

**TO:** Water Division Branch Chiefs  
Regions I - X

**BACKGROUND**

The Clean Water State Revolving Fund (CWSRF) program, in the past ten years, has awarded over 500 capitalization grants which need to be officially closed-out by the Agency to reduce the burden of maintaining the grant files. While the newly established Drinking Water State Revolving Fund (DWSRF) program has not presently awarded many grants, the number of completed grants will quickly grow, and will soon need to be closed-out. EPA's previous wastewater grant program experienced a major problem in closing out the completed grants, which resulted in a large backlog of grants needing to be closed-out. Our goal is to prevent this backlog problem from occurring in the CW & DWSRF program, by implementing a streamlined close-out process with assistance from the Office of Inspector General (OIG).

**PURPOSE**

This guidance will establish the official Agency process for closing-out completed CW & DWSRF capitalization grants, by utilizing a checklist review conducted by the Agency's regional CW & DWSRF program staff, and approval by the designated regional water program official (level to be determined by regional management). The regional CW & DWSRF program staff will complete the capitalization grant close-out checklist (see attached), with information provided from the official grant file and State annual report and will use the annual financial audit report to ensure the fiscal integrity of the State SRF program. Past Performance Evaluation Reports (PER's), and Single Audits, OIG and GAO audits on the State SRF program will be used to identify any problem areas that need to be addressed before the grant is closed-

out. The staff will determine if the grant expenditures are in compliance with the program regulations and requirements. Once the checklist is completed, and compliance with the program requirements have been verified, the designated regional water program official will approve close-out of the grant. The completed checklist will be sent, for informational purposes only, to the Regional Grants Office and the EPA Region IX Divisional OIG. The State CW & DWSRF needs to have a recent annual review conducted and an annual independent financial audit, or an audit by the OIG conducted in order to be eligible for this streamlined close-out process.

## **PROCESS**

- STEP I Identify from the Agency’s IFMS data base, the CW & DWSRF capitalization grants that have received the final cash draw from the grant (zero balance).
- STEP II Select CW & DWSRF grants for regional CW & DWSRF staff review (begin with oldest grants, and limited to CW & DWSRF programs that have had independent annual financial audits conducted on their programs).
- STEP III Review CW & DWSRF grant file and the State annual report to determine if all program requirements were met (Use CW & DWSRF grant close-out checklist).
- STEP IV Determine if all outstanding issues were resolved (Single Audits, GAO audits, OIG audits, and performance evaluation reports, etc.)
- STEP V Complete checklist and obtain approval from designated regional water program official.
- STEP VI Forward a copy of the checklist to Regional Grants Office for informational purposes only.
- STEP VII Forward a copy of the checklist to the Region IX Divisional Inspector General for Audit for informational purposes only.
- STEP VIII Grants Administration will enter the PO-C (close-out code) or FC (completed assistance agreement closed-out code) in the GICS system to identify that the grant is officially closed-out.
- STEP IX Retire CW & DWSRF grant file to regional archive center for storage once it has met the retention requirements.

***Just a note:*** Closing a capitalization grant does not mean that all statutory work and regulatory requirements have been satisfied. Nor will closeout indicate that all the “work”

agreed to in the assistance agreement has been completed or that all the loans have been repaid. (For example, a capitalization grant may be closed-out before an equivalency project has met all of its equivalency requirements). Rather, closeout will indicate that the capitalization grant has a zero balance, and that EPA is satisfied that the State has established a viable and fiscally sound CW & DWSRF loan program.

Please contact Cliff Yee, Audit Team Leader, at 202-260-5822 if you have any questions concerning this issue.

Attachment

# **CW & DWSRF CLOSE-OUT CHECKLIST**

**STATE NAME:** \_\_\_\_\_

**ASSISTANCE NUMBER:** \_\_\_\_\_

**DATE OF FINANCIAL STATUS REPORT:** \_\_\_\_\_

**About the Close-out Process.** The close-out process uses a systematic approach to ensure that all program regulations have been complied with, and administrative requirements have been met. Close-out is performed after the *final disbursement* is made on the SRF capitalization grant (zero balance), there is a *final accounting of expenditures*, and the program office has determined that the State has complied with *all program requirements*.

***Close-out Certification***

(Indicate *yes* or *no* below. Any *no* response must be accompanied by an explanation):

	<b>YES</b>	<b>NO</b>	<b>N/A</b>	
				<b><u>SECTION I: BASIC REQUIREMENTS</u></b>
(1)	___	___	___	Were annual reports prepared and submitted each year?
(2)	___	___	___	Were Intended use plans prepared and submitted?
(3)	___	___	___	Were basic program requirements met?
a:	___	___	___	Was there a public review of intended use plan?
b:	___	___	___	Did the State meet the SRF goals and objectives?

**SECTION II: PROGRAM REQUIREMENTS -- As a result of the last regional review conducted on, ( \_\_\_\_\_ ) what was the determination on the following requirements:**

	<b>YES</b>	<b>NO</b>	<b>N/A</b>	
(1)	___	___	___	Did the State meet the 20% match requirement?
(2)	___	___	___	Did the State enter into binding commitments on an amount equal to 120% of each quarterly payment within one year after the receipt of each quarterly grant payment (CWSRF), or in an amount equal to each quarterly grant payment and accompanying match deposited into the Fund (DWSRF)?

	<i>YES</i>	<i>NO</i>	<i>N/A</i>	
(3)	___	___	___	Did the state comply with the rules for cash draws?
(4)	___	___	___	Were all funds expended in a timely and expeditious manner?
(5)	___	___	___	Were all projects funded eligible to be funded?
(6)	___	___	___	Were all sixteen Title II requirements met on CWSRF projects funded with EPA capitalization grants through FY1994.
(7)	___	___	___	Did the State acknowledge in their annual report, compliance with the MBE/WBE reporting requirements?
(8)	___	___	___	Did the region accept the Financial Status Report (FSR) submitted by the State?
(9)	___	___	___	Did the State follow appropriate State Environmental Review Procedures (SERP)?
(10)	___	___	___	Was the State in compliance with all special grant conditions?
(11)	___	___	___	Were crosscutting requirements for projects funded in an amount equal to the capitalization grant met for each project?
(12)	___	___	___	Were all non-compliance issues resolved concerning the grant?
(13)	___	___	___	Have all set-aside activities funded under the grant been completed in accordance with EPA approved workplans?
(14)	___	___	___	Has the State adequately responded to any issues addressed in the most recent PER?

**SECTION III: Audit Requirements -- As a result of the most recent audit on ( \_\_\_\_\_ ), what was the determination on the following audit requirements:**

	<b><i>YES</i></b>	<b><i>NO</i></b>	<b><i>N/A</i></b>	
(1)	___	___	___	Was an independent financial audit with opinions on financial statements, reports on internal controls and reports on compliance to program requirements conducted and submitted?
(2)	___	___	___	Were all audit issues resolved that pertained to the grant?

**Close-out Certification**

All administrative and financial requirements for this grant have been met, and I recommend that this grant be closed-out.

**WATER PROGRAM OFFICIAL APPROVAL**  
*(Official level as determined by regional management)*

<b><u>SIGNATURE</u></b>	<b><u>TITLE</u></b>	<b><u>DIVISION/BRANCH</u></b>	<b><u>DATE</u></b>
_____	_____	_____	_____