



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
1201 ELM STREET, SUITE 500
DALLAS, TEXAS 75270

May 11, 2023

TRANSMITTED VIA EMAIL

Julie Cunningham
Executive Director
Oklahoma Water Resources Board
3800 North Classen Boulevard
Oklahoma City, Oklahoma 73118

Dear Ms. Cunningham:

Enclosed is the Final State Fiscal Year 2022 Clean Water State Revolving Fund annual Program Evaluation Report. The report is based on the SFY 2022 CWSRF Annual Report, discussions with the Oklahoma Water Resources Board staff, programmatic and financial reviews conducted January 25, 2023, through January 27, 2023, and the completion of the United States Environmental Protection Agency's standardized national checklists of program evaluation questions. We appreciate your assistance, as well as that of your staff, in this review process. The EPA's review finds that the OWRB CWSRF Program was in compliance in SFY 2022.

The OWRB's CWSRF Program is financially sound, well managed and continues to be one of the top programs throughout the country. The EPA commends the OWRB for closing 22 loans in SFY 2022 totaling approximately \$115.6 million. The EPA also commends the OWRB for its pace of utilizing SRF funding. The OWRB increased its pace from 115% in SFY 2021 to 118% in SFY 2022 and has zero (\$0) uncommitted funds for this fiscal year.

If you have any questions regarding the report, please feel free to contact me at (214) 665-7100, or have your staff contact Claudia V. Hosch, Branch Chief of the Assistance Programs Branch, at (214) 665-6464.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles W. Maguire".

Charles W. Maguire
Director
Water Division

Enclosure

eec: Joe Freeman, OWRB
Lori Johnson, OWRB

U.S. Environmental Protection Agency
Region 6



May 2023

Oklahoma

Program Evaluation Report

State Fiscal Year 7/01/2021 - 6/30/2022

Prepared by EPA Region 6
Assistance Programs Branch

Oklahoma CWSRF SFY 2022 Program Evaluation Report

I. Executive Summary

The Clean Water State Revolving Fund (CWSRF) program review covers the State Fiscal Year (SFY) 2022 (July 1, 2021 – June 30, 2022) and any significant programmatic information. The Oklahoma CWSRF program is administered by the Oklahoma Water Resources Board (OWRB). Since 1990, OWRB's CWSRF Program has approved over \$5.92 billion in wastewater and water quality infrastructure projects throughout the state, historically providing over 65% of Oklahoma's wastewater financing needs.

The Environmental Protection Agency (EPA) Federal Fiscal Year (FFY) 2021 Capitalization Grant (cap grant) was awarded to OWRB on September 28, 2021 and provided OWRB with \$12,837,000 in clean water assistance. This required a 20% state match (\$2,567,400) that, when added to the cap grant, totaled \$15,404,400. OWRB awarded 10% of the cap grant (\$1,283,700) as additional subsidy in the form of loan forgiveness. Loan forgiveness was awarded to projects in communities with a population of less than 3,300.

OWRB committed approximately \$115.6 million in loans to twenty-two (22) Oklahoma entities for projects listed on the SFY 2022 Project Priority List (PPL). In addition, OWRB exceeded the 10% minimum Green Project Reserve (GPR) requirement in SFY 2022. Seven (7) loans had approved green components totaling \$26,054,530.

OWRB's CWSRF Program is financially sound and well managed. The program continues to be one of the top programs throughout the country. OWRB continues to utilize all SRF funding and has increased its pace from 115% in SFY 2021 to 118% in SFY 2022. With zero (\$0) uncommitted funds for this fiscal year, the OWRB performs well above this key financial indicator which averages 99% nationally for SFY 2022.

II. Purpose and Scope

This Program Evaluation Report (PER) aims to present findings, conclusions, and recommendations based on the SFY 2022 operation of the CWSRF Program and to document the State's efforts to comply with the requirements of Title VI of the Clean Water Act (CWA).

CWA Title VI, Section 606(e), and 40 CFR 35.3165(c) require the EPA to conduct an annual review of each State's SRF program in terms of the Annual Report and other such materials considered necessary and appropriate in carrying out the purposes of Title VI of the CWA.

The purposes of the annual review are to:

- Evaluate the success of the State's performance in achieving goals and objectives identified in the IUP and the State's Annual Report.
- Evaluate the State's compliance with regulations, operating agreements, and grant agreement
- Assess the financial status and performance of the fund;

- Review the program in accordance with EPA’s SRF Annual Review Guidance; review the status of resolution of prior year Program Evaluation Report (PER) findings; and
- Examine and follow up on any open audit findings and recommendations.

The Oklahoma CWSRF programmatic review was conducted on-site from January 25-27, 2023. The financial review was completed on February 27, 2022. The managers meeting took place on January 27th during which the programmatic and financial overviews were discussed. During this meeting, EPA led the BIL Year 2 discussion, highlighting OWRBs plans to manage and utilize upcoming BIL funds. The following OWRB and EPA staff participated in the review:

OWRB: Lori Johnson, Jerri Hargis, Lindy Clay, and Laura Oak.

EPA: Claudia Hosch, Denise Hamilton, Adrian Chavarria, Anna Piña, Ruben Camacho, Angela Harris and Brian Boyd.

III. Grant Compliance and Other Review Requirements

Upon review, it is determined that the OWRB CWSRF program met all grant compliance requirements as stated in regulations 40 CFR Part 35; EPA/OWRB operating agreement; and open grant agreements. The OWRB has also satisfied all the required elements of the SFY 2022 Annual Review subject to EPA recommendations.

IV. Review Results

A. Programmatic/Technical Review

1. Project File Review

EPA reviewed OWRB’s files for the following projects:

Grant/Loan Reviewed	Date Loan Closed	Loan Amount	Loan Forgiveness
Calumet Public Works Authority ORF-19-0007-CW CATEX	01/17/2020	\$1,100,000	\$200,000
East Central Oklahoma Water Authority ORF-21-0016-CW CATEX	Loan still open	\$439,500	\$200,000

Calumet Public Works Authority

Calumet PWA is located in the Town of Calumet, which has a population of 1,982, according to the 2021 U.S. Census.

In 2018, the Authority utilized the Oklahoma CWSRF loan program for a wastewater collection system assessment and the repair and replacement of 59 manholes, approximately 10,535 linear feet of sewer lines, and other related construction and appurtenances throughout the system, such as improvements to the system inflow and infiltration (I&I).

The project file checklist was used to review and ensure the CWSRF requirements were followed and administered for this project. The project file did not have the following documents available for review, however, inspection report indicated these items were reviewed:

- copies of certification letters for iron and steel products (2.4 d)
- proof of signage (2.5-5)

East Central Oklahoma Water Authority

East Central Oklahoma WA is located in the Town of Webbers Falls, which has a population of 1,250, according to the 2021 U.S. Census.

The Authority's current treatment process is a lagoon; the receiving waterbody is an unnamed tributary to Dirty Creek, listed on the 303(d) list for enterococcus and dissolved oxygen. The Authority utilized the funds to replace approximately 570 feet of sewer line, repair the existing lift station, and replace 605 old and failing water meters by installing Automatic Meter Reading (AMR) water meters encouraging water conservation and helping the state meet the Water for 2060 goals.

The project file checklist was used to review and ensure the CWSRF requirements were followed and administered for this project. The project file did not have the following documents available for review, however, inspection reports indicated these items were reviewed:

- copies of certification letters for iron and steel products (2.4 d)
- proof of signage (2.5-5)

2. Program Highlights and Initiatives

OWRB lists their yearly short and long-term goals in their IUP and their accomplishments in their Annual Report. One of the long-term goals is to maintain the fiscal integrity of the CWSRF fund to ensure it remains viable and self-perpetuating to meet the long-range water quality needs of the state while maintaining net assets equal to federal capitalization grants and state matching funds. Loan repayments provide funds that ensure OWRB maintains the CWSRF fund into perpetuity. To date, the program has kept a zero-default loan repayment record. The following are a few of the programmatic and financial goals accomplished during SFY 2022:

- Twenty-two (22) binding commitments were made for \$115.6 million, and twenty-one (21) loans were funded in SFY 2022.

- 77% of binding commitments (seventeen out of twenty-two) were for long-term, low-interest loans made to communities with populations under 10,000, for a total amount of approximately \$33.9 million.
- Nine (9) of the twenty-one (21) loans funded were proposed due to violations of wastewater discharge permits and enforceable order violations.
- Seven (7) loans had approved green components totaling \$26.05 million.
- Three (3) projects contained climate-related adaptations.
- Once constructed, all funded projects will contribute to the long-term elimination of pollution to surface and groundwater.
- During the Programmatic Review, OWRB announced that in SFY 2022 their piloted sponsorship program in Shawnee MA received the Keep OK Beautiful - Towering Spirit Award.
 - This inter-agency collaboration project occurred during SFY 2021 and addressed the sediment collected in Shawnee's drinking water reservoir.
 - The nonpoint source mitigation project involved building a wetland with a sedimentation basin designed to trap sediment before entering the lake, which was previously reducing lake capacity and increasing treatment costs.
 - This award highlights the work that OWRB and related agencies are doing to improve water quality in their community through the SRF program.

Binding Commitments:

OWRB approved twenty-one (21) projects to meet the water quality goals to reduce or eliminate water quality threats in Oklahoma's watersheds. Of the twenty-one projects approved:

- Twenty (20) projects implement aspects of approved water quality plans;
- Five (5) projects implemented a Nonpoint Source Management Plan;
- Eleven (11) projects affect 303(d)-listed stream segments; and
- Five (5) projects affect source water protection areas.

The twenty-one (21) systems entering binding commitments in SFY 2022 include:

- Guthrie Public Works Authority (PWA) - \$4,100,000
- Wagoner County RWSG & SWMD - \$23,006,000
- Duncan PWA - \$8,200,000
- Elgin PWA - \$3,535,000
- Langley PWA - \$64,000
- Chelsea Economic Development Authority - \$200,000
- Newkirk Municipal Authority (MA) - \$200,000
- Calera PWA - \$70,000
- Broken Arrow Municipal Authority - \$16,285,000
- Bristow MA - \$2,575,000
- Tuttle PWA - \$6,390,000
- Caddo PWA - \$117,560

- Tishomingo MA - \$190,000
- Salina PWA - \$142,140
- Eufaula PWA - \$2,797,000
- Grove Municipal Services Authority - \$1,000,000
- Arkoma MA - \$500,000

Due to revised project items, construction estimates, and/or project approvals, several projects had rank changes and de-obligated funds in SFY 2022.

- Elk City PWA - \$5,124.43
- Hartshorne PWA - \$112,655.00
- Wagoner County RWSG & SWMD #4 - \$14,517,965.00
- Duncan Public Utilities Authority - \$17,922,186.97

3. Program Management and Staffing

OWRB has adequate staffing levels to effectively and efficiently manage its CWSRF program.

4. Additional Subsidy

FFY Grant	Minimum (10%)	Maximum (30% + 10%)	Committed
2021	\$1,283,700	\$5,134,800	\$1,283,700
2020	\$1,283,800*	\$5,135,200 **	\$1,283,800
2019	\$1,283,700	\$5,134,800	\$1,283,700

* Required Additional Subsidization under the FFY 2020 Enacted Appropriation

** Total Additional Subsidization under the FFY 2020 Enacted Appropriation and the Water Resources Reform and Development Act (WRRDA).

OWRB awarded 10% of the cap grant as a subsidy in the form of loan forgiveness. No additional subsidy was awarded under the authority of the Water Resources Reform and Development Act (WRRDA). Loan forgiveness was awarded to projects in communities with a population of less than 3,300. The program had nine (9) entities that received loan forgiveness: Caddo PWA, Calera PWA, Chelsea EDA, Eufaula PWA, Grand River Dam Authority, Langley PWA, Newkirk MA, Salina PWA, and Tishomingo MA, East Central Oklahoma WA, Meeker PWA, Copan PWA, Porter PWA, Westville UA, Eufaula PWA, and Dewar PWA totaling \$1,283,700.

5. Green Project Reserve (GPR)

The FFY 2022 cap grant conditions state that “the recipient agrees to make a timely and concerted good faith solicitation for projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities and that the recipient agrees to include in its IUP such qualified projects, or components of projects, that

total an amount at least equal to 10% of its cap grant. As a result, OWRB allocated a minimum of \$1,283,700 to projects which met the GPR requirements.

OWRB exceeded its requirement to fund at least equal to 10% of the cap grant by funding \$26,054,530 to projects that met the GPR requirements. Communities receiving GPR funding include Arkoma MA, Blackwell MA, Duncan PWA (x2), Eufaula PWA, Langley PWA, and Lindsay PWA. These communities were funded for automatic meter infrastructure, inflow and infiltration reduction, and potable and non-potable reuse water projects.

FFY Grant	Minimum (10%)	Committed
2021	\$1,283,700	\$26,054,530
2020	\$1,283,800*	70,191,370
2019	\$1,283,700	\$25,815,378

* Required GPR under the FFY 2020 Enacted Appropriation.

6. Marketing

OWRB, in conjunction with other agencies, hosted the first of many “Funding Road Shows.” These meetings occur in different regions of the state to ensure that OWRB marketing and informational efforts are reaching across the state to all communities.

For SFY 2023, OWRB is working with ODEQ to identify communities that have received compliance orders and will cross reference this list to communities listed as a Tier 1* on the affordability criteria. They will utilize this list to host meetings or workshops about accessing funding for clean water infrastructure projects.

* Tier 1 refers to the updated Affordability Criteria outlined in OWRBs SFY 2023 IUP. Communities identified in Tiers 1-3 meet the affordability criteria, Tier 4 does not. Tier 1 communities are those whose Adjusted Per Capita Income (APCI) is 55% or less of U.S. APCI. They are eligible to receive up to 100% loan forgiveness with no match.

7. Operating Agreement (OA)

The Operating Agreement (OA) between the State of Oklahoma and the EPA incorporates required assurances, certifications, and specific requirements for the appropriate use of funds under the CWSRF. The OA was revised on March 26, 2015, to incorporate the Water Resources Reform and Development Act (WRRDA) requirements. OWRB will be reviewing the Operating Agreement during the next fiscal year.

B. Financial Review

1. Audit of the Fund

On September 16, 2022, the independent auditors, Arledge & Associates, P.C. Certified Public Accountants, issued their opinion on the financial statements of the Oklahoma CWSRF Loan Account Program (“the Fund”) and the Loan Account Administrative Fund. They concluded that the statements present fairly, in all material respects, the financial position of the Program as of and for the fiscal year ended June 30, 2022. The audits were conducted in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

The single audit for SFY 2022, dated September 16, 2022, received an *unmodified opinion*. There were no findings of material weaknesses or significant deficiencies identified in the financial statements or Federal awards.

2. State Match

The FFY 2021 cap grant requires OWRB to provide state matching funds equivalent to 20% of the cap grant. During SFY 2021, \$5,067,600 was provided from the Series 2020 Bond Issue to meet the state match requirement for the FFY 2020 cap grant and the projected state match requirement for the FFY 2021 cap. An additional \$67,480 was transferred from the CWSRF Administrative Account during SFY 2022 to cover the remaining amount of funds required SFY 2022 state match.

Based on the CWSRF projected cash flows (provided by OWRB Financial Advisor Hilltop Securities), the state match debt was structured to coincide with the repayment of bonds. The intention was for the total income to be slightly more than the debt service to ensure adequate coverage. This schedule and bond sizing provides the required bond repayment while allowing OWRB to maintain sufficient operational capacity for upcoming projects. Additionally, significant cost savings are passed on to the CWSRF loan recipients by leveraging capitalization grant monies with larger bond issuances, reducing bond issuance costs. Sufficient funds will be generated from interest and investment earnings to retire the balance of the state-match bonds by April 1, 2030. OWRB continues to expend available state matching funds before disbursing federal funds as their method of cash draw, per EPA Memo SRF 11-03.

3. Unliquidated Obligations (ULOs)

OWRB continues to follow EPA's First-In-First-Out (FIFO) policy of first drawing funds from older grants. The EPA encourages, and OWRB has a goal of no more than two open capitalization grants at any one time. Currently, EPA compliments OWRB for having no open capitalization grants. The FFY 2020 capitalization grant (CS-40000220-0) was closed on March 8, 2022; FFY 2021 (CS-40000221-0), October 26, 2022; and FFY 2022 (CS-40000222-0), January 17, 2023. OWRB has had no issues with ULOs. The EPA commends OWRB for its efforts to continuously move the CWSRF program funds in a timely and expeditious manner.

4. Leveraging the CWSRF Program

OWRB leverages the CWSRF program when the need exceeds the available funds. In SFY 2021, OWRB leveraged the program for \$100,000,000 par amount. OWRB did not leverage in SFY 2022. EPA commends OWRB for continuing to do an exceptional job evaluating the need for clean water infrastructure and deciding whether to leverage the program to generate additional funds.

5. Financial Health of the Fund

OWRB and their financial advisors, Hilltop Securities (formerly First Southwest), have developed the CWSRF Capacity Model to gauge the long-term health of the CWSRF program. The model is continuously monitored throughout the fiscal year to ensure that the perpetuity of the program is sustainable. The program's financial health also contributes to the continued success of AAA bond ratings, a very strong loss-coverage score, management and oversight of the program, and a long history of borrower repayment. The program's net position increased from \$409,453,127 to \$424,670,169 between SFY 2021 and SFY 2022, with \$11,585,021 restricted for debt service. The fund's financial health continues to be strong, with OWRB generating additional funding for new projects through internal growth (“Total Net” Section 6). Leveraging has enabled OWRB to assist additional clean water infrastructure needs in Oklahoma during SFY 2022. There have been no defaults or deficiencies reported or found during the review. OWRB’s performance places the program as one of the top programs both within Region 6 and throughout the country and EPA attributes this to excellent management and sound financial decision making.

6. Financial Indicators

The State reported the following cumulative financial indicators:

OKLAHOMA CWSRF Financial Indicators (For the Reporting Year Ending June 30, 2022)					
NIMS Line #	Financial Indicators Based on Cumulative Activity	2020	2021	2022	National Average SFY 2022*
288	Disbursements as a % of Funds Available (<i>Annual</i>)	246%	50%	303%	98%
289	Disbursements as a % of Funds Available (<i>Cumulative</i>)	91%	86%	91%	88%
306	Federal Return on Investment (<i>Annual</i>)	744%	955%	967%	466%
307	Federal Return on Investment (<i>Cumulative</i>)	331%	345%	361%	301%
308	Executed Loans as a % of Funds Available (<i>Annual</i>)	293%	122%	251%	131%
309	Executed Loans as a % of Funds Available (<i>Cumulative</i>)	114%	115%	118%	99%
310	Disbursements as a % of Executed Loans (<i>Annual</i>)	84%	41%	121%	74%

311	Disbursements as a % of Executed Loans (<i>Cumulative</i>)	80%	75%	77%	88%
311.1	Undisbursed Funds to Average Disbursements (Years to Disburse) (<i>Cumulative</i>)	1.6 yrs.	2.4 yrs.	1.5 yrs.	2.9 yrs.
312	Additional Loans Made Due to Leveraging (<i>Annual</i>)	\$92.8M	\$159.8M	\$50.8M	NA
313	Additional Loans Made Due to Leveraging (<i>Cumulative</i>)	\$627.3M	\$787.1M	\$837.9M	NA
314	Additional Loans Made due to Leveraging as a % of Contributed Capital (<i>Cumulative</i>)	141%	170%	176%	NA
318	Sustainability (Retained Earnings) (<i>Annual</i>)	\$3.0M	\$3.9M	\$2.7M	NA
319	Sustainability (Retained Earnings) (<i>Cumulative</i>)	\$63.6M	\$67.5M	\$70.2M	NA
320	Sustainability (Retained Earnings) as a % of Contributed Capital (<i>Cumulative</i>)	16%	16%	16%	20%
	Uncommitted Funds	\$0	\$0	\$0	NA
	Total Net	\$43.8M	\$22.2M	\$17.4M	NA
	Net Interest Margin	0.55%	0.69%	0.50%	0.3%

*SFY 2021 National Information Management System Report for All States.

Disbursements as a Percentage of Funds Available measures disbursements as a percentage of funds available when the pace is equal to or greater than 100%. This indicator increased from 86% in SFY 2021 to 91% in SFY 2022. The indicator was greater than the national average of 88%.

Federal Return on Investment is described as the "Cumulative Assistance Disbursed as a Percentage of Cumulative Federal Outlays". OWRB has disbursed 3.61 times more cumulative assistance in relation to federal outlays. This represents a high demand for assistance, which is being provided in amounts greater than the federal funds received. OWRB closely monitors the demand for project funds and leverages the fund when needed. In SFY 2022, OWRB has achieved a federal return on investment above the national average and continues to maintain an upward trend yearly.

Executed Loans as a Percentage of Funds Available is the "pace" of the program and represents the percentage of available funds committed in executed loans. OWRB continues to increase its pace each year, placing it as one of the top SRF programs in Region 6 and the nation. This indicates that all SRF funding is utilized and that OWRB maintains a zero (\$0) balance in uncommitted funds. OWRB is well above the SFY 2022 national average of 99% and keeps a positive upward trend, maximizing the pace of funding projects.

Disbursements as a Percentage of Executed Loans have increased from 75% in SFY 2021 to 77% in SFY 2022, but below the national average of 88%. OWRB has continued to close a substantial amount of loans, which could be impacting this metric negatively until project disbursement rates catch up to the closing rate. Because OWRB's pace is greater than 100%, this indicator might not be the most appropriate for assessing program performance. Another financial indicator (Disbursements as a Percentage of Funds Available) was added for states whose pace is equal to or greater than 100%. While disbursement requests from loan recipients are being received and disbursed in a timely manner, this indicator appears to fluctuate for OWRB because some larger communities submit disbursement requests in batches.

Undisbursed Funds to Average Disbursements evaluates how efficiently funds are revolving (thus, balancing inflows and outflows) by examining OWRB's disbursement rate over a set time period and comparing it to the amount of funds available. This indicates the years it would take to spend the available funds, assuming that future disbursements are consistent with average annual disbursements over the past three years. The results for this indicator have gradually decreased over the past several years except for SFY 2021, which increased to 2.4 years. In SFY 2022, the indicator decreased to 1.5 years, and remains well below the national average of 2.9 years. This indicator will be monitored closely as it is a focus for Region 6 and EPA Headquarters (HQ).

Total Net measures the amount of internal growth that is generating additional funding for new projects. This is the difference between the total cash inflows generated by ongoing loan and investment activity and the debt service payments from the outstanding match and leveraged bonds. This measure reflects the amount of new annual project funding that is generated solely from net repayments. New federal capitalization grants and leveraged bonds are excluded from this calculation. For SFY 2021, the Total Net was estimated at \$22.2M but decreased to \$17.4M in SFY 2022. Despite the decrease, OWRB is still seeing positive gains. OWRB is generating additional funding for new projects through internal growth of funds through loan repayments and earnings. This contributes significantly to additional funding for projects now and into the future and assists in maintaining the program in perpetuity.

Net Interest Margin measures the percentage rate of return OWRB generates from its Total Assets through loans and investments after accounting for the interest expenses associated with match and leveraged bonds. OWRB has maintained a positive Net Interest Margin over the last 20 years. In SFY 2022, the Net Interest Margin (0.50%) decreased from SFY 2021

(0.69%); however, the rate remains higher than the national average of 0.30%, which indicates the fund is continuing to generate positive earnings.

7. Transaction Testing

The EPA's Annual Review guidance document and the Standard Operating Procedures for State Revolving Fund programs instruct each EPA region to review four (4) cash draws that occurred during the State's fiscal year being reviewed. EPA HQ also provided a list of negative draws for the regions to review for SFY 2022 regarding why the funds were returned to the capitalization grants. The Oklahoma CWSRF program was not on the EPA HQ's list of negative cash draws in SFY 2022. The four SFY 2022 cash draws reviewed by EPA Region 6 are identified below in Table 5.

	Grant #	Date	Federal Draw	Type of Draw
1.	CS40000221	03/17/2022	\$ 87,355.00	Loan
2.	CS40000221	05/04/2022	\$ 715,158.95	Loan
3.	CS40000221	06/06/2022	\$ 2,447,093.94	Loan
4.	CS40000221	06/14/2021	\$ 325,023.01	Loan

Table 5 – Transaction Testing

The cash draws were properly made for eligible CWSRF expenditures. These cash draws were recorded in OWRB’s accounting records and were clear of any improper payments.

8. Non-Transaction Testing Improper payments

Reporting improper payments is a standard part of the Annual Financial Review. OWRB provided the EPA with an overpayment transaction of 10 cents. In summary, pay request #1 for Duncan PUA (ORF-22-0072-CW) was processed on December 22, 2021. The actual amount on the payment request was \$246,132.50; however, when the copy was uploaded into the imaging of OWRB, the amount was blurry and appeared to be \$246,132.60. This error created an overpayment of 10 cents. Duncan was immediately contacted and notified of the discrepancy.

OWRB will correct the overpayment by reducing the next payment by 10 cents. OWRB is confident the issue will be resolved on draw #2 when it is submitted by Duncan.

V. EPA SFY 2022 Recommendations Action Items

Program Recommendations:

- 1. EPA Recommendation:** On May 20, 2021, President Biden signed Executive Order (EO) 14030, Climate-Related Financial Risk, reinstating EO 13690, Establishing a Federal Flood Risk Management Standard and a Process for Further Soliciting and Considering Stakeholder Input. This action reestablishes the Federal Flood Risk Management Standard for federally

funded projects. EPA recommends that the program becomes fully aware of the EO impacts to ensure that they are compliant for CWSRF equivalency projects.

- a. **OWRB:** Our team has reviewed the EO and appears to already be in compliance with it.
2. **EPA Recommendation:** After reviewing the project documents provided it was determined that the files did not contain documents related to AIS and Signage, such as certification letters. However, inspection reports did list AIS compliance. With changes and increases in staff, standard operating procedures and training should take place to ensure these documents are properly filed through these transitions.
 - a. **OWRB:** The PER dated July 2020 has the request to start including the specific signage language. OWRB also does press releases to meet the signage requirement for each of our projects in addition to the physical sign. This documentation was included in the project files.
 - i. The Calumet loan was signed in 2018 (before EPA requested the language in the loan agreements)– it did not have the specific signage requirements in there but it does have a catch all phrase stating that there could be requirements not specifically listed. It does have specific AIS language included.
 - ii. The East Central loan was signed in 2021 – it does have specific signage and AIS language requirements in the agreement in Exhibit G.
 - iii. For AIS, we generally have certification letters and confirm that materials on site match the letters during site inspections. We mostly got hard copy documents pre-covid. We are now receiving digital copies of certification letters and our Engineer Manager reviews them before approving requisitions,

Financial Recommendations:

A. Please provide proof of correction for the overpayment of 10 cents to Duncan PUA (ORF-22-0072-CW).

OWRB: Duncan has not drawn any funds since this over payment of 10 cents. We are contacting Duncan to see when they are anticipating submitting pay request #2 but have not heard back from them yet. It is still the plan to reduce their next pay request by 10 cents.

B. The financial indicators should be used as a tool to measure the financial performance of the program. Each indicator has a purpose, but indicators should be assessed holistically to determine the program’s overall performance. OWRB continues to meet or exceed expectations in improving its financial indicators. The only significant indicator below the national average is the "Disbursements as a Percentage of Executed Loans (*Cumulative*)” at 77%, whereas the national average is 88%.

The “Disbursements as a Percentage of Funds Available (*Cumulative*)” is a better indicator for disbursement since OWRB's pace is greater than 100%. This indicator increased from 86% in SFY 2021 to 91% in SFY 2022, above the national average of 88%. OWRB's high pace levels do more than indicate a high program demand; it also contributes to the increase

in the returns to the program, which results in more growth and allows for more funds to be available to projects in the future. EPA commends OWRB for its efforts in attaining and maintaining a high fund utilization rate.

While OWRB continues to perform as one of the top national SRF programs, EPA recommends OWRB look for ways to improve the “Disbursements as a Percentage of Executed Loans (*Cumulative*).” This can be achieved by verifying recipients request disbursements frequently and making sure loan agreements are not signed long before planned disbursements.

VI. Prior Year Action Items SFY 2021

Financial Recommendations:

1. To prevent fraud in the future, EPA recommends that Standard Operating Procedures and safeguards be put in place. When a new bank account is provided, OWRB must incorporate steps to verify the new account prior to sending funds. As part of the procedure, a phone call should be made to the recipient to ensure the proper account and recipient are being funded.

Please continue to provide Region 6 with updated information on the fraudulent reimbursements with the Grove Municipal Service Authority (MSA). EPA will continue to follow up with OWRB quarterly until this issue is resolved.

OWRB: A new SOP was created to verify any new financial information or a change in bank accounts verbally with the borrowers. As far as the fraudulent reimbursements to Grove, no new developments since the investigation. Grove’s cyber insurance did not cover any of their losses. There is nothing else that can be done to recover the loss so we consider this issue resolved.