

Evaluation of the U.S. Virgin Islands' Capacity to Manage and Use Infrastructure Investment and Jobs Act Funds for Clean Water and Drinking Water Infrastructure Improvements

January 14, 2026 | Report No. 26-E-0010



This Report Is Part of an Oversight Series

The IIJA allocated \$11.7 billion over five years for the traditional CWSRF Program, a federal-state partnership that provides low-cost financing to communities for water infrastructure projects. This represents an unprecedented investment in a program that received an average of \$1.6 billion annually in the five years before the IIJA was passed.

It is important that the EPA understands the capacity of states and territories to administer and manage this significant increase in funds. To that end, the EPA OIG initiated a limited series of three CWSRF capacity reviews of New Mexico, South Carolina, and the U.S. Virgin Islands, with the goal of identifying both location-specific and overarching risks and challenges. In the U.S. Virgin Islands, the EPA awards CWSRF allotments and DWSRF allotments in one grant, so this report evaluates both programs together.

Abbreviations

C.F.R.	Code of Federal Regulations
CWSRF	Clean Water State Revolving Fund
DPNR	Department of Planning and Natural Resources
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
SRF	State Revolving Fund
U.S.C.	United States Code
USVI	U.S. Virgin Islands

Cover Image

View from the East End of St. Croix, outside of Christiansted, facing northeast towards Coakley Bay, with a drinking water construction grant-funded community public water system replacement project in the foreground. The image shows two white, modular-type buildings along a small road bordered by trees and shrubs in the foreground. There is a white truck on the road. A large expanse of water, blue cloudy skies, and a hilly green peninsula are in the background. (EPA OIG image)

Are you aware of fraud, waste, or abuse in an EPA program?

EPA Inspector General Hotline

1200 Pennsylvania Avenue, NW (2431T)
Washington, D.C. 20460
(888) 546-8740
OIG.Hotline@epa.gov

Learn more about our [OIG Hotline](#).

EPA Office of Inspector General

1200 Pennsylvania Avenue, NW (2410T)
Washington, D.C. 20460
(202) 566-2391
www.epa.gov/oig

Subscribe to our [Email Updates](#).
Follow us on X [@EPAoig](#).
Send us your [Project Suggestions](#).



At a Glance

Evaluation of the U.S. Virgin Islands' Capacity to Manage and Use Infrastructure Investment and Jobs Act Funds for Clean Water and Drinking Water Infrastructure Improvements

Why We Did This Evaluation

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this evaluation to determine the U.S. Virgin Islands' capacity to manage and use Infrastructure Investment and Jobs Act funds for clean water and drinking water infrastructure improvements. The U.S. Virgin Islands are part of EPA Region 2.

The EPA annually awards federal funds to the U.S. Virgin Islands for water-infrastructure improvement projects via a clean water and drinking water construction grant. With the enactment of the Infrastructure Investment and Jobs Act, the funds the territory received for these projects increased significantly beginning in fiscal year 2022. Whereas it received \$10.215 million and \$10.211 million in fiscal years 2020 and 2021, respectively, it received \$38.879 million, \$55.333 million, \$36.117 million, and \$29.462 million in fiscal years 2022, 2023, 2024, and 2025, respectively. It is also expected to receive increased funds in fiscal year 2026.

Grantees should meet four dimensions of capacity to manage and use federal funds: financial, human capital, organizational, and stakeholder. Challenges in any of these four dimensions can adversely impact a grantee's capacity to effectively manage and implement federal grants.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG.PublicAffairs@epa.gov.

[List of OIG reports.](#)

What We Found

The U.S. Virgin Islands, or USVI, has the financial capacity to manage and use its Infrastructure Investment and Jobs Act, or IIJA, funds. However, the USVI faces human capital-, organizational-, and stakeholder-related challenges that limit its capacity to manage and use its IIJA funds for clean water and drinking water construction grants.

In terms of human capital challenges, the USVI struggles to hire and retain staff, which leaves key positions like the federal grants manager vacant. This lack of personnel causes existing staff to fall behind on their grant management tasks. For example, staff had not submitted more than \$1.5 million in administrative reimbursement requests for payroll and travel expenses to the EPA. Among the organizational challenges that the USVI faces are inadequate succession and contingency plans, standard operating procedures, and accounting practices for its grants management responsibilities. Finally, the USVI's stakeholders, including its water utility providers and wastewater systems, have their own capacity challenges, which often render them unable to take full advantage of the funds available for infrastructure improvements. It is therefore difficult for the USVI to spend its clean water and drinking water construction grants in a timely manner. As of March 2025, the USVI had an approximate \$135 million balance for these grants, \$83.1 million of which was awarded under the IIJA.

Limited human capital, organizational, and stakeholder capacity negatively impact the USVI's ability to efficiently manage its clean water and drinking water construction grants, including those funded by the IIJA. As a result, critical water infrastructure improvements in the territory may be delayed.

Recommendations and Planned Agency Corrective Actions

We recommend that the regional administrator for Region 2 monitor the hiring of the USVI's federal grants manager and then provide training to the new hire; establish a timeline for the USVI to submit complete administrative reimbursement requests; implement the appropriate remedy if those requests are not submitted; monitor and assist in the USVI's update of and training of staff on its standard operating procedures addressing grants management tasks; and work with the USVI to increase its outreach to its water systems to inform them about the availability of technical assistance from the EPA. Region 2 agreed with three of our five recommendations and partially concurred with two. Through our analysis of Region 2's response, we concluded that the proposed corrective actions met the intent of all five recommendations. Therefore, all recommendations are resolved with corrective actions pending.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

January 14, 2026

MEMORANDUM

SUBJECT: Evaluation of the U.S. Virgin Islands' Capacity to Manage and Use Infrastructure Investment and Jobs Act Funds for Clean Water and Drinking Water Infrastructure Improvements
Report No. 26-E-0010

FROM: Nicole N. Murley, Deputy Inspector General performing the duties of the
Inspector General *Nicole N. Murley*

TO: Michael Martucci, Regional Administrator
Region 2

This is our report on the subject evaluation conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this evaluation was OSRE-FY24-0118. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Region 2 is responsible for the issues discussed in this report.

In accordance with EPA Manual 2750, your office provided acceptable planned corrective actions and estimated milestone dates for all five recommendations. All recommendations are resolved with corrective actions pending, and no final response to this report is required. If your office submits a response, however, it will be posted on the OIG's website, along with our memorandum commenting on the response. The response should be provided as an Adobe PDF file that complies with the requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that your office does not want released to the public; if the response contains such data, your office should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Table of Contents

Chapters

1	Introduction	1
	Purpose.....	1
	Background.....	1
	Responsible Offices	7
	Scope and Methodology.....	8
	Prior Reports.....	9
2	The USVI Has Sufficient Financial Capacity to Effectively Manage and Use Its IIJA Funds	11
	The USVI Has Sufficient Financial Capacity for Its IIJA Funds	11
3	The USVI Has Limited Human Capital, Organizational, and Stakeholder Capacity to Effectively Manage and Use Its IIJA Funds.....	13
	The USVI’s Human Capital Capacity to Manage and Use Its IIJA Funds Is Limited.....	13
	The USVI’s Organizational Capacity to Manage and Use Its IIJA Funds Is Limited	16
	The USVI’s Stakeholder Capacity to Use IIJA Funds Is Limited	20
	Conclusion	22
	Recommendations.....	23
	Agency Response and OIG Assessment.....	24
	Status of Recommendations	26

Appendixes

A	Agency Response to the Draft Report.....	27
B	Distribution	33

Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency Office of Inspector General initiated this evaluation to determine the U.S. Virgin Islands' capacity to manage and use Infrastructure Investment and Jobs Act, or IIJA, funds for clean water and drinking water infrastructure improvements. The scope of this evaluation includes four dimensions of capacity: financial, human capital, organizational, and stakeholder.

Background

History of Clean Water and Drinking Water Construction Grants to U.S. Territories

The Clean Water Act is the primary authority for EPA programs that aid wastewater treatment plants and related activities. In 1972, Congress established the Construction Grants Program under the Clean Water Act to support the construction of municipal wastewater treatment plants.¹ Congress annually appropriated funds to the Construction Grants Program, which is administered by the EPA. The EPA used a state-by-state allocation formula to distribute these funds to construction grants programs established by the states and U.S. territories,² which in turn use the funds to award grants to their municipalities to build or upgrade wastewater treatment plants.

In 1987, in response to a proposed phaseout of the Construction Grants Program, Congress amended the Clean Water Act to create the Clean Water State Revolving Fund, or CWSRF, Program.³ The CWSRF Program is a federal-state partnership that provides low-interest loans and other low-cost financing to communities for a wide range of water infrastructure projects. The CWSRF Program launched in 1989, and by 1991 all 50 states and Puerto Rico had replaced their construction grants programs with CWSRF programs. However, Congress exempted Washington, D.C., and the territories from establishing CWSRF programs.⁴ Instead, Washington, D.C., and the territories continue to use their construction grants programs to receive their annual funds from the Clean Water Act, except that the EPA now allocates clean water construction grant funding from CWSRF appropriations.

The Safe Drinking Water Act is the primary authority for EPA programs that aid the nation's compliance with federal drinking water standards. In 1996, Congress amended the Act to establish a Drinking Water State Revolving Fund, or DWSRF,⁵ Program to help states finance critical water infrastructure projects

¹ Governing law for the Construction Grants Program is codified at 33 U.S.C. §§ 1281–1302f.

² The U.S. territories are Puerto Rico, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

³ Governing law for the CWSRF is codified at 33 U.S.C. §§ 1381–1389.

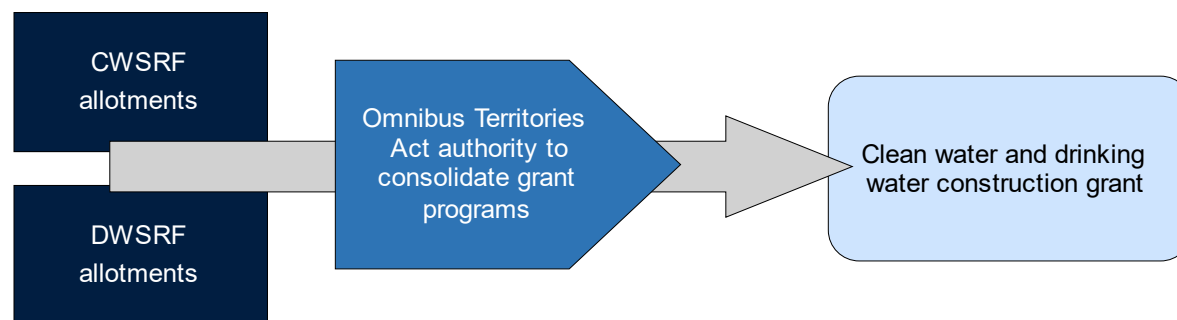
⁴ For the purposes of the state revolving fund programs, Puerto Rico operates like a state. Therefore, our use of “territories” in the rest of the report does not encompass Puerto Rico.

⁵ Governing law for the DWSRF is codified at 42 U.S.C. § 300j–12.

that further the Act's health protection objectives. Like the parallel CWSRF programs, Washington, D.C., and the territories do not have DWSRF programs. Instead, they receive their annual drinking water construction grant funding via allocations from DWSRF appropriations.

The Omnibus Territories Act provides authority for the territories to consolidate their federal grants,⁶ meaning territories may submit a single application to the EPA for two or more grant programs and receive a single award to reduce administrative and application burdens. Each territory must expend the awarded funds to further the programs that it consolidated into a single grant, but the territory determines the proportion of the funds allocated to each of those programs. Under the Omnibus Territories Act, each territory is thus able to submit one application to receive its annual allotments from both state revolving fund, or SRF, programs: the CWSRF Program and the DWSRF Program. The resulting award is in the form of one grant: a clean water and drinking water construction grant. Figure 1 illustrates the flow of funds from the two SRF allotments to a single clean water and drinking water construction grant.

Figure 1: SRF allotments combined into a clean water and drinking water construction grant



Source: OIG analysis of Omnibus Territories Act authority for territories. (EPA OIG image)

The Omnibus Territories Act also authorizes agencies, such as the EPA, to waive the match requirement, or the percentage of funds the recipient is required to contribute from nonfederal funds, for territories. Specifically, the Act requires agencies to waive the match requirements for grants under \$200,000 and provides the EPA with the discretion to waive match requirements for grants over \$200,000. Historically, EPA Region 2, which serves New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands, or USVI, has waived the match requirements for grants over \$200,000.

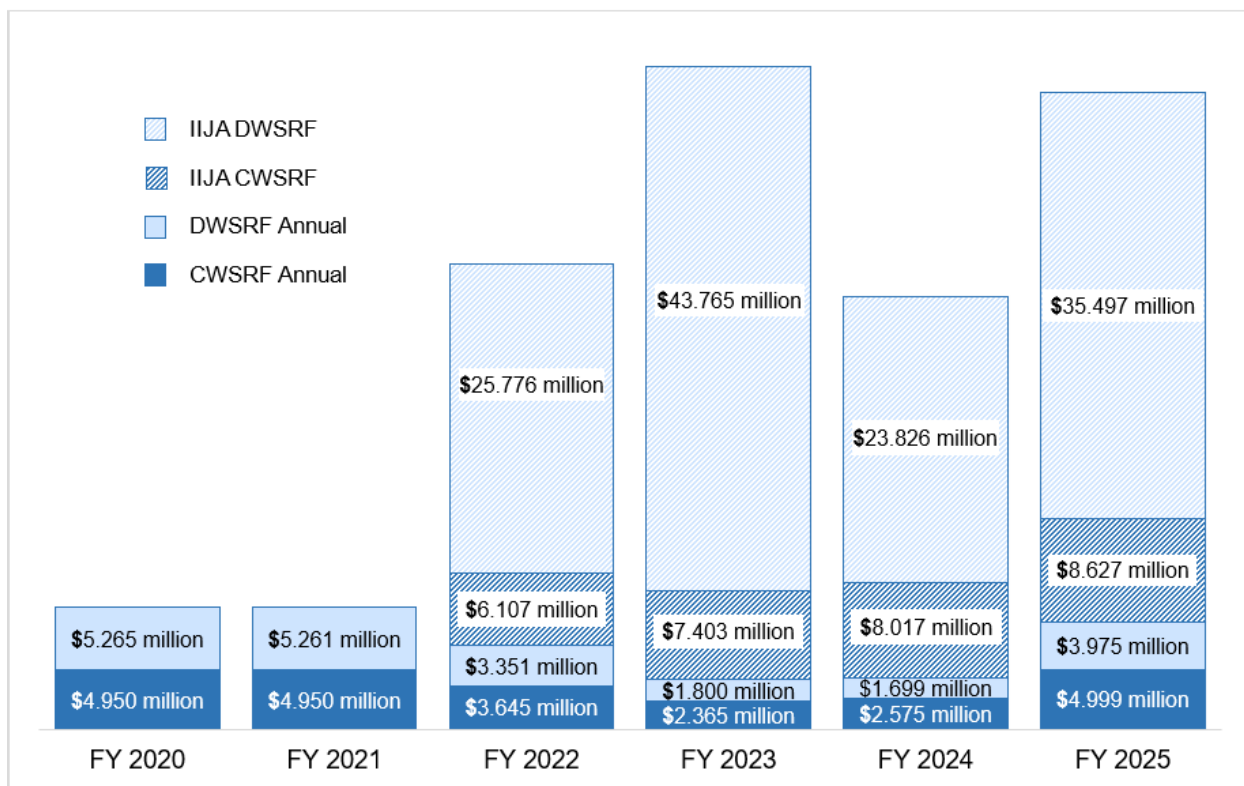
IIJA Funding for Clean Water and Drinking Water Construction Grants

Enacted on November 15, 2021, the IIJA provides the EPA with approximately \$50 billion to strengthen the nation's drinking water and wastewater systems. The EPA will administer approximately \$43 billion of these IIJA funds through the CWSRF Program and the DWSRF Program to states and territories from fiscal year 2022 through FY 2026 using five appropriations: CWSRF General Traditional, CWSRF Emerging Contaminants, DWSRF General Traditional, DWSRF Emerging Contaminants, and DWSRF Lead Service Line Replacement. With the enactment of the IIJA, the USVI's total allotments for clean water and

⁶ The Omnibus Territories Act is codified at 48 U.S.C. § 1469a.

drinking water infrastructure improvements increased significantly beginning in FY 2022, as shown in Figure 2. In addition to \$24.409 million in annual SRF appropriations, the USVI received \$159.018 million in SRF IIJA funds allotted from FY 2022 through FY 2025, and it is expected to receive increased allotments for FY 2026.

Figure 2: USVI allotments for clean water and drinking water infrastructure improvements, by fiscal year



Source: OIG summary of SRF annual and IIJA allocations. (EPA OIG image)

Notes: Amounts exclude funding pursuant to 33 U.S.C. § 1384(b) to carry out applicable water quality planning requirements. The IIJA CWSRF allotment shown is the total sum of the IIJA CWSRF General Traditional and Emerging Contaminants allotments. The IIJA DWSRF allotment shown is the total sum of the IIJA DWSRF General Traditional, Emerging Contaminants, and Lead Service Line Replacement allotments.

On March 8, 2022, the EPA released an SRF IIJA implementation memorandum to describe its approach for the SRF IIJA funds. The memorandum included information, guidelines, and priorities that states and territories should consider to effectively administer funds. On August 23, 2022, the EPA released a second memorandum focused solely on SRF IIJA implementation in Washington, D.C., and the territories. This memorandum echoed many of the same priorities as the March 2022 SRF IIJA implementation memorandum and stated that “[i]t is critical that all funds – both [SRF IIJA] and the base programs – are used in a timely and expeditious manner.” This guidance aligns with the Clean Water Act at 33 U.S.C. § 1382(b)(4), which requires SRF funds to be spent in an expeditious and timely manner. It similarly aligns with the Safe Drinking Water Act at 42 U.S.C. § 300j-12(s)(1), which requires that SRF funds be used in a timely fashion.

Grantee Capacity to Manage and Use Funds

Because of the IJIA's historic investment in water infrastructure programs, it is essential that grantees of these programs have the capacity to manage and use the significant increase in funds. The U.S. Government Accountability Office has recognized that grantee capacity is a key issue in grants management that affects program success. Capacity impacts a grantee's ability to maintain appropriate resources and to effectively manage those resources. The Government Accountability Office defined capacity across the following four dimensions:⁷

- Financial capacity: the extent to which an organization has sufficient financial resources to administer or implement the grant.
- Human capital capacity: the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its program goals.
- Organizational capacity: the degree of preparedness for grants management and implementation, including having appropriate leadership, management, and structure to implement the program efficiently and effectively and to adapt to changing conditions.
- Stakeholder capacity: the extent to which an organization has sufficient support from its stakeholders.

The EPA also acknowledges the importance of grantee capacity. The *EPA Regional Capacity Development Coordinator's Handbook*, dated May 2020, recognizes that, in the context of the DWSRF, "[c]apacity development implies a process and not a static endpoint." The *EPA's SRF Fund Management Handbook*, dated March 2018, is a guide for the EPA and SRF program managers for strategic management of SRF programs. It highlights the lack of human capital capacity as a major risk that could prevent a program from achieving its objectives. Further, the Safe Drinking Water Act at 42 U.S.C. § 300j-12(a)(3) sets capacity development requirements for DWSRF subrecipients. The Act requires each DWSRF program to ensure that subrecipients of DWSRF grants have the technical, managerial, and financial capacity to meet national drinking water regulations. The Construction Grants Program has similar capacity requirements for its subrecipients. Specifically, the Clean Water Act at 33 U.S.C. § 1284(b)(1) requires the EPA to determine that Construction Grants Program grantees have the legal, institutional, managerial, and financial capability to ensure adequate construction, operation, and maintenance of wastewater treatment plants.

Additional federal regulations also set requirements for grantees, including requirements that help ensure grantee capacity. "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," or 2 C.F.R. part 200, establishes the governmentwide framework for grants management. These regulations reduce administrative burdens, guard against the risk of waste or

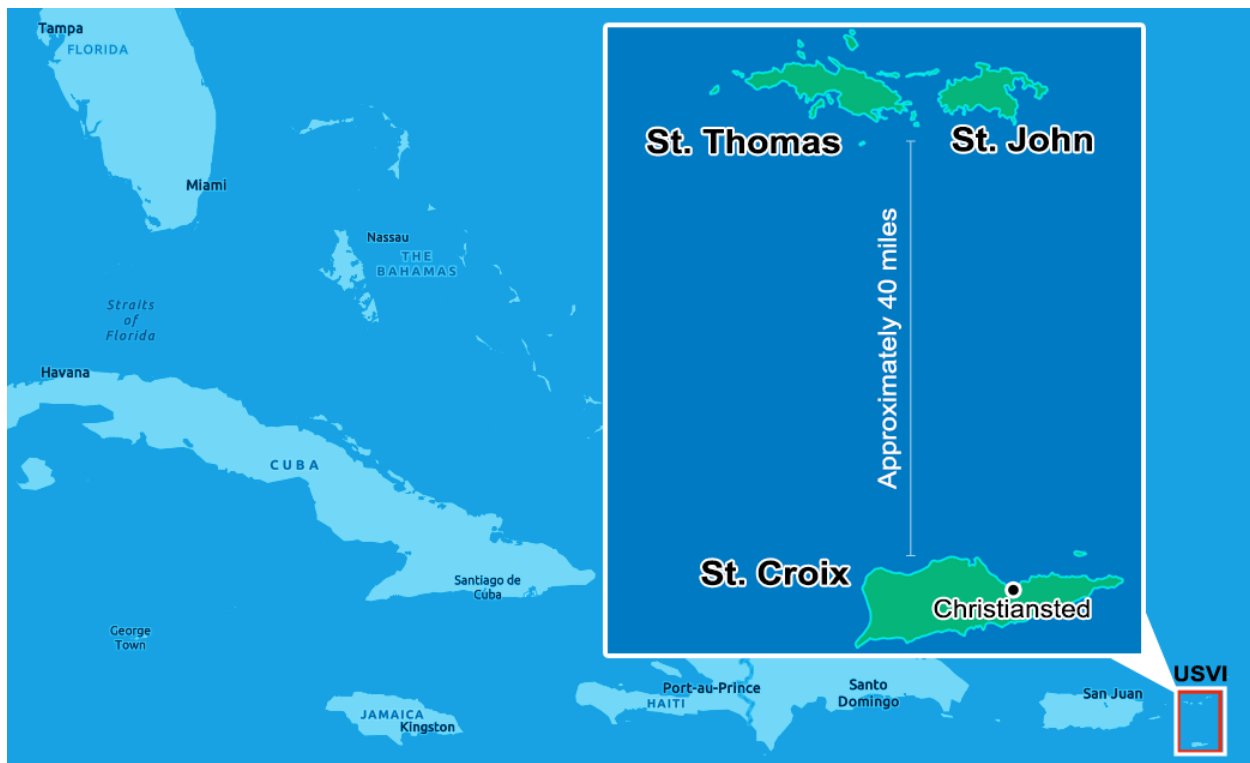
⁷ In [GAO-15-295](#), *Race to the Top: Education Could Better Support Grantees and Help Them Address Capacity Challenges*, issued April 13, 2015, the Government Accountability Office defined capacity as the ability to successfully support, oversee, and implement reform efforts across financial, organizational, human capital, and stakeholder capacity dimensions.

misuse, and require recipients to comply with all requirements of the federal award. Specifically, 2 C.F.R. § 200.303 requires that grantees have internal controls, which are processes used by management to help an entity achieve its objectives, that align with the Government Accountability Office's *Standards for Internal Control in the Federal Government*.⁸

USVI Administration of Clean Water and Drinking Water Construction Grants and Other Water Infrastructure-Related Programs

Located in the Caribbean Sea, the USVI consists of three main islands: St. Croix, St. John, and St. Thomas. The USVI does not have any freshwater lakes, ponds, or permanent streams. Figure 3 illustrates the approximate locations of the three islands, with St. Croix being approximately 40 miles south of St. Thomas and St. John.

Figure 3: USVI map



Source: EPA OIG modification of geospatial mapping data. (EPA OIG map)

The USVI Department of Planning and Natural Resources, or DPNR, is responsible for implementing the USVI's clean water and drinking water construction grants. Two divisions within the DPNR execute this role. The Division of Environmental Protection's capital improvement grants program handles the programmatic implementation of the clean water and drinking water construction grants. The Division of Business and Administrative Services provides financial and administrative support for the management of clean water and drinking water construction grants. These divisions support a wide

⁸ GAO, [GAO-25-107721](#), *Standards for Internal Control in the Federal Government* (May 2025).

range of grants management tasks, from preparing and submitting grant applications to the closeout of grants after the work is complete.

After receiving its annual SRF-funded clean water and drinking water construction grants from the EPA, the DPNR in turn enters into subrecipient agreements to fund local water infrastructure projects. Unlike state SRF programs, there is no loan component in the DPNR's construction grants program. The DPNR is responsible for monitoring the subrecipients of its clean water and drinking water construction grant funds.

What is a single audit?

The Single Audit Act and regulations at 2 C.F.R. part 200 require any nonfederal entity that expends \$1 million or more in federal funds in a fiscal year to undergo one organization wide audit for that year. This is called a single audit.

Region 2 previously identified issues with the DPNR's grants management. In January 2012, Region 2 completed an on-site evaluation and worked with the DPNR to resolve the findings and recommendations from that evaluation, as well as the findings from single audits in FYs 2007 and 2008. Approximately two years

later, in May 2014, after observing that the DPNR made little progress, Region 2 designated the DPNR as a high-risk grantee.⁹ Region 2 made this designation because it determined that the DPNR did not have a management system that met federal standards and conditions and that the DPNR had not conformed to the terms and conditions of previous grant awards.¹⁰ More than ten years later, the DPNR is still categorized as a high-risk grantee. This high-risk designation requires the DPNR to submit documentation regarding all incurred costs to Region 2 for approval before the EPA releases any grant funds to the DPNR. The grant terms and conditions outline the documentation that the DPNR must submit for approval, including administrative reimbursement requests for payroll and travel expenses and subrecipient reimbursement requests for subrecipient project expenses.

Existing Water Infrastructure Issues in the USVI

The USVI Water and Power Authority is an autonomous agency of the USVI government and is the main utility provider for drinking water, serving almost 13,000 customers by using seawater reverse osmosis technology at its facilities on St. Thomas and St. Croix. While the Water and Power Authority facilities are less than a decade old, most of its distribution system is much older, with some pipes dating to the 1940s. Local code requires households not connected to the public water system to collect rainwater using a cistern. Approximately 95 percent of the USVI's resident households rely on rainwater collected in cisterns for household needs and on bottled water for drinking. Between 50 and 80 percent

⁹ The EPA designated the DPNR as high risk under former provisions of the EPA grant regulations, which were superseded in December 2014 by regulations at 2 C.F.R. part 200.

¹⁰ The EPA regulations at the time, which were also later recodified in 2 C.F.R. part 200, required the grantee to have fiscal and accounting procedures that enable the grantee to prepare the required reports; to trace grant funds to a level that is adequate to establish that the grantee has not misused funds; to produce accurate, current, and complete disclosure of financially assisted activities; to maintain records that identify the source and application of funds provided; to have sufficient internal controls; to have actual expenditures compared with budgeted amounts for each grant; to use grant funds only for allowable costs; and to maintain source documentation.

of the USVI's hotels and condominiums produce their own water by operating privately owned, small reverse osmosis systems.

The USVI Waste Management Authority is an autonomous agency of the USVI government and is the main utility provider for wastewater treatment, serving between 30 and 60 percent of the USVI's population. The Waste Management Authority manages the USVI's wastewater treatment plants pursuant to a federal consent decree.¹¹ The islands have eight sewage treatment plants, with five on St. Thomas, one on St. Croix, and two on St. John. Buildings not served by the authority's wastewater management system use private septic systems to manage their wastewater.

Strains on the USVI's water infrastructure are compounded by the territory's vulnerability to storms during the Caribbean hurricane season. In 2017, Category 5 hurricanes Irma and Maria passed over the USVI with sustained winds of more than 156 miles per hour, which inflicted severe damage to the USVI's infrastructure, including homes, businesses, roads, communications, electricity, and drinking and wastewater systems. In response to the 2017 hurricanes, the USVI received approximately \$20 billion through various federal programs to support recovery efforts. The USVI Office of Disaster Recovery is responsible for the oversight and coordination of all hurricane relief funds. As part of the recovery, in July 2024, the Federal Emergency Management Agency obligated funds for the USVI Waste Management Authority to replace the majority of wastewater sewer lines and 14 pump stations on St. Croix. In September 2024, the Water and Power Authority announced the Federal Emergency Management Agency's approval of Prudent Replacement Plans for St. Thomas and St. Croix. The plans focus on renovating St. Thomas's and St. Croix's entire water distribution systems, including replacing aging pipes, upgrading pump stations, and refurbishing storage tanks.

Responsible Offices

Within the EPA Office of Water, the Office of Wastewater Management oversees the implementation of the Clean Water Act and manages the CWSRF Program, while the Office of Ground Water and Drinking Water oversees the implementation of the Safe Drinking Water Act and manages the DWSRF Program. Each office allots a portion of its respective annual SRF appropriations as clean water and drinking water construction grants to the USVI, as previously shown in Figure 2.

Region 2's Caribbean Environmental Protection Division, which implements a wide range of environmental programs impacting the water, air, and land in Puerto Rico and the USVI, is responsible for awarding and managing the clean water and drinking water construction grants to the USVI. Within the division, the Municipal Water Programs Branch is responsible for enforcing and ensuring compliance with the Clean Water Act and Safe Drinking Water Act programs, including administering the USVI's clean water and drinking water construction grants. The Caribbean Environmental Protection Division is

¹¹ On November 17, 1985, the United States District Court for the District of the Virgin Islands approved a federal consent decree in the matter of *United States v. Gov't of the Virgin Islands*, Case No. 84-104. A federal consent decree is an agreement between parties that a judge enters and oversees as a judicial order.

overseeing more than \$185 million in clean water and drinking water construction grants awarded to the USVI from FY 2012 through FY 2024. Of this, \$83.1 million are SRF IIJA funds.

Scope and Methodology

We conducted this evaluation from August 2024 to August 2025 in accordance with the *Quality Standards for Inspection and Evaluation* published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we perform the evaluation to obtain sufficient and appropriate evidence to support our findings.

The scope for this evaluation included the four dimensions of capacity: financial, human capital, organizational, and stakeholder. Our scope also included the USVI's IIJA SRF allocations since the November 2021 enactment of the IIJA. We conducted 21 interviews during this evaluation, including four with Region 2 staff in the New York, Puerto Rico, and USVI offices; 12 with DPNR staff; one with a Water and Power Authority staff member; three with Waste Management Authority staff; and one with an Office of Disaster Recovery staff member. We conducted interviews virtually and in person during our site visits to St. Thomas and St. Croix.

To obtain an understanding of the USVI's clean water and drinking water construction grants, we reviewed:

- Federal and USVI laws and regulations.
- EPA memorandums and guidance related to the CWSRF, DWSRF, and Omnibus Territories Act.
- USVI guidance and procedures related to the CWSRF, DWSRF, and Omnibus Territories Act.
- USVI oversight reports prepared by the EPA and independent public accountants, as well as the USVI FYs 2022 and 2023 grant applications, which include intended use plans.¹²
- USVI budgetary documents, grant agreements, and DPNR commissioner budget testimony.

At the time of our site visit to the USVI, there were no active construction projects funded with SRF IIJA allotments. Instead, we visited two active infrastructure project sites on St. Croix funded with SRF annual allotments. We toured the Coakley Bay Condominium's community public water system replacement project with DPNR staff, condominium complex representatives, and a local technical assistance provider. We also visited an active sewer line replacement project along the Queen Mary Highway with DPNR staff, Waste Management Authority staff, and local contractors. At each location, we asked questions about the projects and photographed the sites.

¹² An intended use plan describes how the territory plans to use available grant funds and includes information on the DPNR's administrative procedures, priority ranking and points systems, and a project priority list.

Prior Reports

The first report in our series of capacity evaluations,¹³ EPA OIG Report No. [24-E-0042](#), *New Mexico's Capacity to Effectively Manage Clean Water Infrastructure Funds Faces Challenges*, issued June 5, 2024, detailed how New Mexico has sufficient financial and organizational capacity but faces challenges regarding its stakeholder and human capital capacity, which limits its ability to effectively manage and use its CWSRF IIJA funding. We recommended that the EPA increase grantee monitoring and provide annual training to grantee staff. The EPA agreed with our recommendations, and the recommendations are closed.

The second report in our series of capacity evaluations, EPA OIG Report No. [25-E-0035](#), *Evaluation of the South Carolina Clean Water State Revolving Fund Program's Capacity to Manage Infrastructure Investment and Jobs Act Funding*, issued June 11, 2025, detailed how South Carolina has sufficient financial and organizational capacity but faces challenges regarding its stakeholder and human capital capacity, which limit its ability to effectively manage and use its CWSRF IIJA funding. We recommended that the EPA provide additional technical assistance and training to grantee staff and encourage South Carolina to identify potential stakeholders needing additional technical assistance to complete financial statement audit requirements. The EPA agreed with our recommendations. We consider three of our four recommendations resolved with corrective actions pending, while the fourth recommendation is unresolved.

EPA OIG Report No. [24-E-0022](#), *Perspectives on Capacity: Managing Drinking Water State Revolving Fund Infrastructure Investment and Jobs Act Funding*, was issued February 27, 2024. This evaluation surveyed state agencies' perspectives on their capacity to manage DWSRF IIJA funds and on obstacles that these agencies' administrators believed limit their capacity to manage IIJA funds.¹⁴ This evaluation accounted for the organizational, financial, and human capital dimensions of capacity in its survey. We reported that most state DWSRF administrators agreed that they have the organizational capacity to manage DWSRF IIJA funds but expressed concerns about financial capacity, specifically about meeting state match requirements and identifying eligible projects. The report also said that the administrators noted other potential challenges, such as workforce management and insufficient federal guidance, especially guidance related to the Build America, Buy America Act. The report noted that a few administrators cited a lack of coordination with the EPA as an obstacle that could potentially decrease investment in critical water infrastructure. Although we did not issue any recommendations in this report, we concluded that the EPA should address the administrators' desire for additional guidance as an opportunity for improvement.

EPA OIG Report No. [23-N-0004](#), *American Recovery and Reinvestment Act Findings for Consideration In the Implementation of the Infrastructure Investment and Jobs Act*, was issued December 7, 2022. This review addressed how entities used American Recovery and Reinvestment Act funds. The report noted

¹³ See the inside front cover for more information on this report series.

¹⁴ This evaluation did not include perspectives from the USVI as DWSRF administrators in the territories were not in the project scope.

that inspections for projects funded by the Act varied in frequency; that this poor oversight increased the risk of fraud, waste, abuse, and noncompliance with the Act's economic recovery goals; and that states underused available funds due to contracting delays and difficulty in implementing the Act's requirements. We did not issue any recommendations in this report, but we suggested that CWSRF administrators use our findings as a guide for managing their SRF IIJA funds.

EPA OIG, Report No. [15-P-0137](#), *Conditions in the U.S. Virgin Islands Warrant EPA Withdrawing Approval and Taking Over Management of Some Environmental Programs and Improving Oversight of Others*, issued April 15, 2015, found that the USVI had not met program requirements for numerous activities related to the implementation of several environmental laws, including the Clean Water Act and Safe Drinking Water Act. Weak management controls and noncompliant financial systems contributed to the USVI's deficiencies in monitoring, complying with, and enforcing its environmental programs. We issued 19 recommendations in this report, and all recommendations are closed with corrective actions completed.

Chapter 2

The USVI Has Sufficient Financial Capacity to Effectively Manage and Use Its IJA Funds

The DPNR has the financial capacity to manage and use the USVI's IJA funding. The influx of SRF IJA funding leaves the Division of Environmental Protection's capital improvement grants program financially well positioned to implement grants. There are sufficient clean water and drinking water construction grant funds to pay existing staff and hire any new staff at a higher salary rate, which may help attract additional candidates for vacant DPNR positions and address the human capital capacity challenges discussed in Chapter 3. Additionally, Region 2 has consistently waived match requirements for the USVI's clean water and drinking water construction grants, and the DPNR has reduced its administrative burden by submitting a single application for a consolidated grant from the CWSRF and DWSRF appropriations, as authorized by the Omnibus Territories Act.

The USVI Has Sufficient Financial Capacity for Its IJA Funds

The DPNR has sufficient financial resources to manage and use its SRF IJA funds. As discussed earlier, the Government Accountability Office defines financial capacity as the extent to which an organization has sufficient financial resources to administer or implement the grant it is receiving. In the context of the DPNR's clean water and drinking water construction grants, we consider this to be the ability to meet financial requirements related to the grants. This includes funding the required state match and paying for administrative expenses, such as payroll and office equipment, so that DPNR staff and systems can perform designated tasks.

As authorized by the Omnibus Territories Act, Region 2 has historically waived the statutory requirements for the USVI to provide matching funds for its SRF allocations. As of September 2024, Region 2 has continued to waive this match requirement for the USVI's SRF IJA allocations. This approach eliminates the financial constraints that the DPNR would face in receiving clean water and drinking water construction grant funds.

Furthermore, both the Clean Water and Safe Drinking Water Acts authorize recipients of CWSRF and DWSRF allocations to use the funds for reasonable administrative costs.¹⁵ Both statutes provide recipients with the option to use whichever of these two amounts is greatest: (1) 4 percent of all SRF-awarded funds or (2) \$400,000 per year for every grant or one-fifth percent of the value of the SRF, plus any amount of program fees collected to administer the SRF programs. Additionally, the Safe Drinking Water Act authorizes a recipient to use 2 percent of its DWSRF allocations to provide technical assistance to public water systems serving 10,000 or fewer persons, and the IJA amended the Clean Water Act to allow a recipient to use 2 percent of its CWSRF allocations to provide technical assistance to rural, small, and tribal

¹⁵ The Clean Water Act at 33 U.S.C. § 1285(g) and the Safe Drinking Water Act at 42 U.S.C. § 300j-12(g)(2) provide the authority for recipients to use funds for reasonable administrative costs.

publicly owned treatment works.¹⁶ Although the USVI does not have SRFs, the clean water and drinking water construction grant awards align with the SRF requirements set forth in the Clean Water and Safe Drinking Water Acts.

Consistent with the Clean Water and Safe Drinking Water Acts, the DPNR uses funds from its clean water and drinking water construction grants to implement its construction grants program, including paying for administrative expenses like payroll and office equipment. While overall the DPNR is facing budget cuts, the influx of SRF IIJA funds makes the Division of Environmental Protection's capital improvement grants program financially well positioned to implement the USVI's clean water and drinking water construction grants. For example, the DPNR is working to increase salaries for both existing staff and new staff, and the influx of IIJA funds allows the construction grants program to absorb these increased salary costs without exceeding the percent that is allowed to be spent on administrative costs and technical assistance. Having this financial capacity to support higher salaries may also help attract new candidates for future job vacancy announcements, which could address some of the human capital capacity challenges that we discuss in Chapter 3.

As allowed by the Omnibus Territories Act, the DPNR has consolidated its annual clean water and drinking water SRF allocations into a single clean water and drinking water construction grant since FY 2022. This consolidation allows the DPNR to allocate all costs incurred for implementing its clean water and drinking water construction funds to a single grant, so long as the costs are furthering the goals of either program. Consolidating these grants eliminates the need to manage multiple grants and, therefore, reduces the administrative burden on the DPNR.

¹⁶ The Clean Water Act at 33 U.S.C. § 1383(k) and the Safe Drinking Water Act at 42 U.S.C. § 300j-12(g)(2)(c) provide the authority for SRF recipients to use funds for technical assistance.

Chapter 3

The USVI Has Limited Human Capital, Organizational, and Stakeholder Capacity to Effectively Manage and Use Its IJA Funds

The DPNR faces human capital-, organizational-, and stakeholder-related challenges that limit its capacity to manage and use its SRF IJA funds for clean water and drinking water construction grants. First, the DPNR has limited human capital capacity because it struggles to hire and retain staff, caused in part by the DPNR's low salaries and a limited candidate pool for hiring. Second, the DPNR has limited organizational capacity, especially with respect to its ineffective internal controls, including its succession and contingency planning, standard operating procedures, and accounting practices. Lastly, the DPNR has limited stakeholder capacity to effectively spend the USVI's SRF IJA allocations. For example, its major stakeholders, the Water and Power Authority and the Waste Management Authority, have their own capacity challenges, such as difficulty hiring and retaining staff and troubled finances. Other DPNR stakeholders, such as small drinking water systems, also have unique capacity-related challenges. These challenges are compounded by the \$20 billion in disaster relief funds that the USVI received after the 2017 hurricanes, which is creating competing priorities for these already strained stakeholders. As a result of these human capital-, organizational-, and stakeholder-related capacity challenges, the DPNR staff feel overwhelmed; will likely be unable to keep up with their grants management tasks; and may be able to provide only limited support to the DPNR's stakeholders. The DPNR may also continue to have difficulty spending its grant funds in a timely manner, which is underscored by its balance of approximately \$135 million of clean water and drinking water construction funds as of March 2025.

The USVI's Human Capital Capacity to Manage and Use Its IJA Funds Is Limited

The DPNR faces human capital capacity challenges related to staffing, hiring, and retention, which limit its overall capacity to manage and use SRF IJA funds for clean water and drinking water construction grants. The Government Accountability Office defines human capital capacity as the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its program goals. We consider human capital capacity to be the number of staff with clean water and drinking water construction grants responsibilities and their knowledge to administer the program. According to the EPA's *SRF Fund Management Handbook*, the first objective for successful implementation of a program is related to human capital capacity. It states that "[a]ppropriate staffing is essential for successful administration" and that "a lack of qualified financial staff and management attention can undermine the success of the program."

The DPNR's Division of Environmental Protection and Division of Business and Administrative Services, which have crucial roles in managing or supporting the implementation of clean water and drinking water construction grants, do not have enough staff to manage the DPNR's SRF IJA funds. In its *Program*

Evaluation Report for Federal FY 2023, Region 2 reported that the DPNR had 1.5 full-time equivalents allocated to implement clean water and drinking water construction grants.¹⁷ In its budget for the FY 2023 IIJA SRF funds, the DPNR had increased the number of full-time equivalents allocated to the USVI’s IIJA clean water and drinking water grants workload to 3.5. However, the workload for these 3.5 full-time equivalents is divided among nine DPNR staff, as shown in Table 1, who also perform duties to support other DPNR programs. Additionally, at the time of our fieldwork, four of the DPNR’s nine positions allocated to the clean water and drinking water construction grants were vacant.

Table 1: DPNR full-time equivalents allocated to the FY 2023 IIJA clean water and drinking water construction grant workload

Position title	Division	Full-time equivalent allocated	Position status
Operations manager	DEP	0.4	Filled
Special project coordinator	DEP	0.4	Filled
Engineer	DEP	0.6	Filled
Engineer	DEP	0.5	Vacant
Environmental scientist	DEP	0.3	Filled
Environmental scientist	DEP	0.3	Filled
Federal grants manager	DBAS	0.3	Vacant
Financial manager	DBAS	0.3	Vacant
Administrative specialist	DBAS	0.4	Vacant
Total	—	3.5	—

Source: OIG analysis of the DPNR’s FY 2023 IIJA clean water and drinking water grant application’s budget detail and narrative document. (EPA OIG table)

Notes: We list these positions as they appear in the source document and rounded the allocation of full-time equivalents. DEP = Division of Environmental Protection. DBAS = Division of Business and Administrative Services.

DPNR leadership told us that the Division of Environmental Protection should be assigned three financial staff from the Division of Business and Administrative Services, including a federal grants manager and two financial support staff to complete routine services and tasks for the program. However, the Division of Environmental Protection did not have an assigned federal grants manager and had only one financial support staff member devoting a small portion of time to the division. This financial support staff member was not originally assigned to the Department of Environmental Protection but, being the only financial support staff remaining in the Division of Business and Administrative Services, was providing services to the Division of Environmental Protection as an additional duty. In its *Program Evaluation Report for Federal FY 2023*, Region 2 stated that the DPNR “definitely needs additional

¹⁷ Office of Management and Budget Circular A-11 defines full-time equivalent employment as “the total number of regular straight-time hours worked (...not including overtime or holiday hours) by employees divided by the number of compensable hours applicable to each fiscal year.” One full-time equivalent is equal to 2,080 hours, which is 40 hours multiplied by 52 weeks.

personnel working to follow-up on all the activities and tasks needed to comply with the CWA [Clean Water Act] and SDWA [Safe Drinking Water Act] requirements as it pertains to the water construction projects in a timely manner.”

The DPNR has difficulty hiring and retaining its federal grants managers

DPNR leadership told us that it has had difficulty hiring and retaining employees for its federal grants manager position, a key role for administering the USVI’s clean water and drinking water construction grant program. When the longtime Division of Environmental Protection federal grants manager left in 2019, it took the DPNR two years to fill the position, and the new manager departed after 13 months. The DPNR advertised the federal grants manager position vacancy twice thereafter but did not receive any qualified candidates.

In addition to some positions being vacant, some employees occupying positions related to the clean water and drinking water construction grants or fulfilling related duties may not have sufficient knowledge or experience to execute their roles. For example, we were told during an interview that the financial support staff member fulfilling duties for the DPNR’s vacant federal grants manager position does not have the educational qualifications required to permanently occupy the position. Furthermore, while qualified, the director of the Department of Business and Administrative Services, who is not paid with SRF IIJA funds but oversees Division of Business and Administrative Services staff who are, has been with the division since November 2023 and was still

learning how to execute all the duties of that position at the time of our fieldwork. To address these challenges, DPNR leadership told us that it plans to hire additional staff to assist with programmatic implementation, and the DPNR’s most recent budget included hiring an additional engineer and administrative specialist, as outlined in Table 1.

Hiring and retaining staff is challenging for the DPNR because of two major factors. First, DPNR salaries are comparatively low. The average salary of a DPNR employee in FY 2024 was \$52,408. Entry level positions at the DPNR start at a much lower salary. For example, in September 2024, a job posting for an entry level environmental specialist in the Division of Environmental Protection announced a starting salary of \$39,343. The average DPNR salary is low compared to the average USVI salary for similar positions. The *May 2023 State Occupational Employment and Wage Estimates* published by the U.S. Bureau of Labor Statistics stated that the annual mean wage in the USVI was \$64,670 for a civil engineer and \$56,540 for an environmental scientist or specialist. Multiple DPNR staff told us that the DPNR has difficulty attracting applicants because salaries are too low. They also said that employees tend to leave the DPNR for higher salaries at other government agencies or in the private sector after working at the DPNR.

While DPNR leadership stated that the department wants to raise staff salaries, there are union requirements for updating salaries for *all* DPNR staff holding the same position. This requirement to update all salaries at the same time is challenging because salaries may be funded by different sources. In other words, even though the influx of SRF IIJA funds would support a salary increase for DPNR union staff with salaries paid by clean water and drinking water construction grants, such an increase is not necessarily feasible for union staff funded by other sources, even if they hold the same positions. In fact, DPNR leadership reported that funding from other grant programs has remained flat or declined. As a

workaround for this issue, DPNR leadership told us that the department is trying to hire non-union staff for the Division of Environmental Protection's capital improvement grants program, which implements the clean water and drinking water construction grants, at a higher salary rate.

DPNR leadership also attributed its hiring and retention challenges to the USVI's limited labor pool. Since 2023, the USVI has had a historically low unemployment rate, and events like the 2013 closure of a St. Croix oil refinery and the 2017 hurricanes have contributed to a declining population. The oil refinery closure resulted in St. Croix losing 800 jobs. DPNR staff told us that many of these jobs were filled by highly skilled professionals who left the USVI with their families when they lost their positions. According to DPNR staff, the 2017 hurricanes also prompted many USVI residents to find employment in the continental United States and to not return to the islands. The diminishing labor pool has, in turn, reduced the number of qualified applicants responding to vacancy announcements. For example, the DPNR posted a federal grants manager vacancy twice without receiving a single applicant with the required qualifications. For reference, the EPA also had challenges filling vacant positions in the USVI in 2019 and 2024. In 2019, the EPA hired a project officer to move to the USVI from the continental United States, but that individual resigned. In 2024, the EPA posted a project officer vacancy based in the USVI, but no applicant met the required qualifications.

As a result of the DPNR's limited human capital capacity, DPNR staff told us that they experience low morale and feel overwhelmed with their workloads. The DPNR is also behind on management tasks for clean water and drinking water construction grants. For example, as of November 2024, the DPNR was not up to date with submitting administrative reimbursement requests or fulfilling grant reporting requirements. We further discuss these tasks and impacts in the organizational capacity section below. Without addressing its staffing challenges, it is likely that the DPNR will be unable to keep up with its grants management tasks. It is also likely that the education, outreach, and technical assistance that the DPNR will be able to provide to its stakeholders will be limited. If this occurs, implementation of SRF IIJA-funded infrastructure projects may be delayed.

The USVI's Organizational Capacity to Manage and Use Its IIJA Funds Is Limited

The DPNR faces organizational capacity challenges related to its internal controls, which limit its overall capacity to manage and use its SRF IIJA clean water and drinking water construction grants. The Government Accountability Office defines organizational capacity as the degree of preparedness for grants management and implementation, including having appropriate leadership, management, and structure to implement the program and adapt it efficiently and effectively. We consider organizational capacity to be the DPNR's leadership, management, policies, and organizational structure. More granularly, organizational capacity includes effective internal controls, such as succession and contingency planning, standard operating procedures, and accounting practices.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that management should define succession and contingency plans for key roles to help the entity continue achieving its objectives. Succession planning addresses an entity's need to replace competent

personnel over the long term, whereas contingency planning addresses the entity's need to respond to sudden personnel changes that could compromise its internal control system. DPNR leadership has not prioritized succession and contingency planning to support the organization's management, structure, and adequate performance of duties. Specifically, the DPNR does not have a succession or contingency plan for its experienced capital improvement grants operations manager in the Division of Environmental Protection, who splits time managing the DPNR's construction grants program and other drinking water programs. Region 2 staff, DPNR staff, and grant subrecipient staff all voiced concerns about grant implementation if the operations manager were to leave or retire. Additionally, the DPNR did not have a contingency plan for transitioning the positions of director of the Division of Environmental Protection and director of the Division of Business and Administrative Services. This lack of internal control adversely impacted operations when the former retired in September 2024 and when the latter, who had overall responsibility for all federal funds awarded to the DPNR, left in 2023. In these instances, no DPNR employee had the training or experience to assume the responsibilities and tasks necessary for efficient clean water and drinking water construction grants management.

In addition to adequate succession and contingency planning, standard operating procedures are widely considered a key component of an effective internal control system. Standard operating procedures provide a structured framework for completing tasks consistently, mitigating risks, and ensuring compliance with policies and regulations. The DPNR's standard operating procedures have historically been insufficient, which has impeded its ability to operate independently. For example, Region 2 previously prohibited the DPNR from drawing clean water construction grant funds—in other words, from requesting and receiving the funds—because the DPNR did not have a standard operating procedure for its construction grant program or guidance for its staff or subrecipients to complete necessary facilities planning documents. The EPA provided contractor support to develop the documents with the DPNR, which they finalized in FY 2022. Without the EPA's assistance, the DPNR would not have regained access to its clean water construction grant funds as quickly. DPNR staff also told us that the department's existing standard operating procedures are not helpful. All standard operating procedures for the Division of Business and Administrative Services are consolidated into one document, *DBAS' Standard Operating Procedures Manual*, but this document alone does not necessarily guide staff on how to complete their day-to-day tasks because staff are not adequately trained on the manual.

Finally, DPNR staff stated that some of the department's existing accounting practices do not support the organization's ability to execute its grants management responsibilities. An FY 2021 independent public audit report corroborates their statement. The report described issues with the DPNR's internal controls for complying with accounting practices and payroll documentation, noting that they were not operating at a level of precision that would ensure compliance with 2 C.F.R. part 200 requirements related to compensation.¹⁸ According to DPNR staff, these issues persist. For example, the existing payroll and timekeeping systems do not collect all the necessary data for completing grants management tasks, which means that, to execute these tasks, staff must manually extract data from

¹⁸ Regulation at 2 C.F.R. § 200.430 outlines requirements for compensating personal services, such as salaries and wages, including standards for documenting expenses.

other systems and perform data quality assurance checks—a time-intensive process. Among the grant management tasks impacted are administrative reimbursement requests. DPNR staff told us that there is an approximate four- to five-year backlog in payroll adjustments, which the DPNR must complete to have sufficient data before it can submit administrative reimbursement requests to the EPA.

As a result of these challenges, the DPNR has not submitted a complete administrative reimbursement request to the EPA to close out its grants since 2017. Consequently, as of March 2025, nine clean water and drinking

water construction grants had passed their period of performance end date, but the grants had not been closed out, as required. Pursuant to 2 C.F.R. § 200.344, all grantees must submit required reports and liquidate all financial obligations incurred under the federal award no later than 120 calendar days after the conclusion of the period of performance. The EPA may approve closeout extensions when justified, but the regulation directs the EPA to make every effort to complete all closeout actions no later than one year after the end of the period of performance. If the grantee does not comply with closeout requirements, the regulation directs the EPA, or the USVI as the pass-through entity to subrecipients, to consider pursuing the enforcement actions listed at 2 C.F.R. § 200.339,¹⁹ as appropriate. The nine grants that had passed their period of performance end dates have a combined remaining balance of \$1,584,510, as shown in Table 2, with the oldest having been allocated funds as early as FY 2011.

Because the DPNR had not submitted a complete administrative reimbursement request and closed out the grants, these funds remain unused, and the department has turned elsewhere to pay construction-grant administrative expenses. For example, the DPNR has paid staff using funds from the USVI’s general fund, but it has not yet reimbursed the general fund from the available clean water and drinking water construction grants. Despite the DPNR’s grants closeout delinquency, as of November 2024, the EPA has not pursued any of the remedies for noncompliance outlined in 2 C.F.R.

As of March 2025, nine clean water and drinking water construction grants had passed their end period of performance date but had not been closed out within 120 days, as required by 2 C.F.R. part 200. These nine grants have a combined remaining balance of \$1.585 million. Because the DPNR had not closed out the grants, the funds remain unused, and the department turned elsewhere to pay construction-grant related expenses.

¹⁹ Pursuant to 2 C.F.R. § 200.339, the EPA may take one or more of the following actions if a grantee “fails to comply with the U.S. Constitution, Federal statutes, regulations, or terms and conditions of the Federal award: (a) Temporarily withhold payments until the recipient or subrecipient takes corrective action. (b) Disallow costs for all or part of the activity associated with noncompliance of the recipient or subrecipient. (c) Suspend or terminate the Federal award in part or in its entirety. (d) Initiate suspension and debarment proceedings ... or recommend [to the EPA that] suspension or debarment proceedings be initiated. (e) Withhold further Federal funds (new awards or continuation funding) for the project or program. (f) Pursue other legally available remedies.”

§ 200.339. Instead, Region 2 has been providing the DPNR with technical assistance through regular monthly meetings and DPNR-requested trainings.

Table 2: Available funds on the USVI's clean water and drinking water construction grants with a period of performance ending on or before September 30, 2024

Start performance date	End performance date	SRF appropriation	Balance (\$)	Days past closeout requirement
10/1/11	9/30/18	Drinking Water, Annual	100,245	2,192
10/1/12	9/30/19	Drinking Water, Annual	171,379	1,827
3/1/12	2/28/20	Drinking Water, Annual	66,534	1,676
10/1/13	9/30/21	Drinking Water, Annual	213,277	1,096
10/1/14	9/30/22	Drinking Water, Annual	234,774	731
10/1/16	9/30/23	Clean Water, Annual	125,479	366
10/1/15	9/30/24	Drinking Water, Annual	241,798	0
10/1/17	9/30/24	Drinking Water, Annual	272,204	0
10/1/17	9/30/24	Clean Water, Annual	158,820	0
—	—	Total balance remaining	1,584,510	—

Source: OIG analysis of DPNR clean water and drinking water construction grants financial drawdowns. (EPA OIG table)

Notes: We calculated the number of days past the closeout requirement using January 28, 2025, which is 120 days after the end of FY 2024. We list grants in this table in ascending order by the period of performance end date.

The DPNR is also delinquent on its grant reporting requirements, with 19 missing federal financial reports and one missing final technical report. The DPNR's reporting delinquency underscores the organization's struggles to complete basic grants management tasks. A Region 2 staff member told us that the DPNR's administrative challenges related to its clean water and drinking water construction grants are not unique, as the DPNR has similar challenges with funds that it has received from other EPA grant programs.

The DPNR almost did not receive its FY 2023 SRF IIJA award of \$51.168 million due to an untimely application

The Region 2 deadline for grant applications was July 19, 2024. The director of the Region 2 Caribbean Environmental Protection Division sent letters to the DPNR commissioner on August 20, 2024, and September 6, 2024, requesting the USVI's application. The DPNR did not submit it until September 9, 2024. Absent this intervention from Region 2, the USVI would have not received \$43.765 million of DWSRF IIJA funds and \$7.403 million of CWSRF IIJA funds for FY 2023.

Few staff and turnover in high-level positions have hindered the DPNR's ability to successfully address its organizational challenges. As discussed above, the director positions for both the Division of Environmental Protection and the Division of Business and Administrative Services turned over in the span of two years. The new directors we spoke with reported having insufficient opportunity to transfer knowledge from their predecessors. The DPNR leadership acknowledged its administrative delinquencies and is trying to address them. First, the DPNR hired two contractors to submit

administrative reimbursement requests and has solicited the Government of the Virgin Islands Financial Fellows Program to assist with payroll reconciliation.²⁰ Second, the Division of Business and Administrative Services director told us that the division is updating its standard operating procedures to be more helpful. Lastly, DPNR leadership said that in FY 2026 the department will transition to a new timekeeping system to help resolve the issues previously identified.

The USVI's Stakeholder Capacity to Use IIJA Funds Is Limited

The DPNR has limited stakeholder capacity to implement its IIJA clean water and drinking water construction grants. The Government Accountability Office defines stakeholder capacity as the extent to which an organization has sufficient support from its stakeholders. In the context of the clean water and drinking water construction grants, we consider stakeholders to be the DPNR's existing or potential clean water and drinking water construction grant subrecipients. These subrecipients include large agencies, such as the Water and Power Authority and the Waste Management Authority, and small drinking water systems.

The DPNR's two largest subrecipients of clean water and drinking water construction grants are the Water and Power Authority and the Waste Management Authority. Both agencies have capacity challenges. For example, they both struggle to hire and retain knowledgeable staff, especially engineers. At the time of our fieldwork, the engineering manager position and two of four engineering positions were vacant at the Water and Power Authority. Waste Management Authority staff told us that the agency was historically understaffed, although they said staffing in the engineering department had improved. The lack of staff has made it challenging for the agencies to meet DPNR subrecipient deadlines. Staff from both the Water and Power Authority and the Waste Management Authority said that engineering vacancies delay the development of technical planning and design documents for infrastructure projects. The agencies must wait until their engineers have time to complete the work or until they can hire a contractor, which can be a cumbersome and time-consuming process. The challenges do not end after the planning and design documents are completed, however. The USVI has a limited contractor pool to bid on and complete the work. This further delays the implementation of infrastructure projects.

Additionally, the Water and Power Authority and the Waste Management Authority are financially distressed. According to a January 2025 report on the Water and Power Authority, which was prepared by a third-party consulting firm, the agency appeared to be operating in the zone of insolvency because it could not pay its bills as they come due. The Waste Management Authority also has difficulty paying its bills. During prepared testimony to the USVI House, Transportation and Telecommunications Committee, Waste Management Authority leadership stated that the agency remains underfunded by about

²⁰ The Government of the Virgin Islands financial fellow is a two-year, entry-level position with three- to six-month rotations in various agencies within the government. Employees in the program work full-time with the same benefits as other government employees, with a mentor guiding them through a range of assignments, training, and professional development programs. After completing the two-year program, fellows have opportunities to seek full-time employment with the government.

\$5 million and needs to raise the prices of services. Furthermore, the USVI OIG reported that the Water and Power Authority and the Waste Management Authority have difficulty mitigating financial risk.²¹ The USVI OIG also reported that the Waste Management Authority did not monitor compliance with contract terms, paid contractors late, and lacked uniform procedures for documenting contract activities.²²

The DPNR's smaller subrecipients also have capacity challenges. As noted in Chapter 1 many USVI residents use cisterns and small reverse osmosis systems for their drinking water. Therefore, in addition to its one large drinking water utility, the USVI has over 200 small systems that meet the definition of a public water system and are eligible subrecipients for drinking water construction grants.²³ Many of these small water systems are at condominiums, hotels, and schools that lack the financial and technical capacity to meet and implement federal grant requirements and need technical assistance from the DPNR to access funding. Under the terms of drinking water grants, the DPNR may use a portion of the funds for technical assistance. DPNR staff told us that they try to help anyone that contacts them, but one staff member said that they cannot actively help more than ten small systems at a time as a result of the DPNR's staffing issues.

The DPNR's stakeholder-related capacity challenges are compounded by federal disaster relief projects led by the USVI's Office of Disaster Recovery. These projects, and specifically the Prudent Replacement Plan projects, place greater demand on the USVI's subrecipients. Both the Water and Power Authority and the Waste Management Authority are beginning the planning and design phase for their new drinking water and wastewater system, which is expected to take several years to complete. While beneficial for the USVI overall, both federal disaster relief funding and SRF IIJA funding have requirements that create competing priorities for the already limited staff at the Water and Power Authority and the Waste Management Authority.

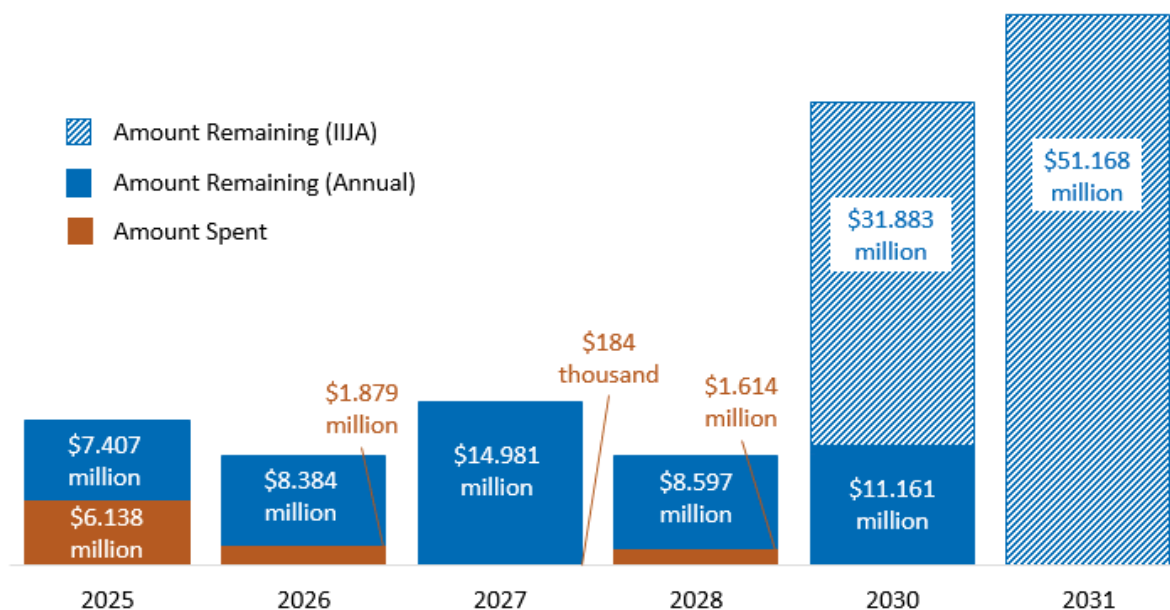
As a result of these challenges, it is difficult for the DPNR to implement clean water and drinking water construction projects and spend grant funds in a timely manner, as set forth in the SRF IIJA implementation memorandum. The DPNR thus has a large balance of funds remaining in its active construction grants because the stakeholders' challenges reduce their overall requests to draw down grant funds for their projects. As of March 2025, the DPNR had approximately \$135 million in remaining grant funds that it must spend by 2031, as shown in Figure 4, unless it is able to extend the period of performance of the grants.

²¹ USVI Off. of Inspector Gen., INR-07-VITOL-19, Inspection of the WAPA-VITOL Fuel Contracting Process and Transactions (2021).

²² USVI Off. of Inspector Gen., AR-03-62-19, Audit of Contract Administration at the Virgin Islands Waste Management Authority (2022).

²³ According to 40 C.F.R. § 141.2, a public water system is a system that provides water for human consumption through pipes or other constructed conveyances and that has at least 15 service connections or serves an average of at least 25 people for at least 60 days a year.

Figure 4: DPNR clean water and drinking water construction grant balances, listed by fiscal year of the period of performance end date



Source: OIG analysis of the DPNR's clean water and drinking water construction grant drawdowns in the EPA's financial management system. (EPA OIG image)

Notes: Dollar amounts are rounded and expressed in millions or thousands as appropriate. As of March 4, 2025, the USVI had spent \$7.581 million in grant funding with periods of performance ending in FY 2025 through FY 2028. For each fiscal year, we aggregated the balance of the grants ending that fiscal year. The USVI does not have a grant with a 2029 period of performance end date.

Conclusion

While the DPNR has sufficient financial capacity, it has limited human capital, organizational, and stakeholder capacity, which negatively impact its ability to efficiently manage and use its SRF IIJA funds. As a result, the DPNR is behind on its clean water and drinking water construction grants management tasks, such as administrative reimbursement requests and grants reporting. The DPNR has not met closeout deadlines for nine clean water and drinking water construction grants, which have a combined remaining balance of \$1.585 million. Although the DPNR is taking action to address its capacity challenges, the impact of these actions is yet to be realized, and additional opportunities exist to improve the USVI's construction grants program. Region 2's implementation of our recommendations should enable the DPNR to decrease the balance of funds in its active clean water and drinking water construction grants. As of March 2025, this balance totaled \$135 million, including \$83.1 million of SRF IIJA funds. Until existing capacity challenges are fully addressed, the DPNR may continue to underperform.

Recommendations

We recommend that the regional administrator for Region 2:

1. Develop and implement a plan to monitor the U.S. Virgin Islands' Department of Planning and Natural Resources' hiring for its federal grants manager position and then provide grants management training to the new hire within six months of the start date. Doing so would help address the Department of Planning and Natural Resources' insufficient staffing to manage its clean water and drinking water construction grants.
2. Establish a timeline for the U.S. Virgin Islands' Department of Planning and Natural Resources to submit administrative reimbursement requests for costs incurred on all clean water and drinking water construction grants that had a period of performance end date of September 30, 2024, or before. Additionally, encourage the Department of Planning and Natural Resources to collaborate with Region 2 on the establishment of this timeline. Doing so would help address the Department of Planning and Natural Resources' backlog of administrative reimbursement requests. It would also give the Department of Planning and Natural Resources the documentation it needs to complete required grant closeout reports, such as the federal financial reports for the nine grants that are past their period of performance as of March 2025.
3. Develop a plan to identify and implement the appropriate remedy, pursuant to 2 C.F.R. § 200.339, if the U.S. Virgin Islands' Department of Planning and Natural Resources does not meet the timeline established in Recommendation 2.
4. Develop a plan to monitor progress and provide grants management technical assistance to support the U.S. Virgin Islands' Department of Planning and Natural Resources with updating and training staff on the Department of Planning and Natural Resources' Division of Business and Administrative Services' *Standard Operating Procedures Manual*. Doing so would address the Department of Planning and Natural Resources' insufficient training on the standard operating procedures for grants management tasks.
5. Develop and implement a plan to work with the U.S. Virgin Islands' Department of Planning and Natural Resources to increase outreach activities on EPA technical assistance opportunities to the U.S. Virgin Islands' small water systems. Doing so would improve the Department of Planning and Natural Resources' capacity to conduct outreach and offer technical assistance to small water systems, thereby increasing program participation.

Agency Response and OIG Assessment

The Agency's response to our draft report is in Appendix A. Region 2, in collaboration with the Office of Water, also provided technical comments, which we reviewed and incorporated into the report, as appropriate.

For Recommendation 1, Region 2 partially concurred. While it agreed that insufficient staffing is a key challenge for the USVI and that EPA-provided training within six months of a federal grants manager start date would be beneficial to build capacity for DPNR staff, Region 2 disagreed that developing a plan to monitor the DPNR's hiring for its grants manager position would be helpful. Rather, Region 2 stated that it already monitors hiring through its monthly meetings with the DPNR's administrative and program personnel. We agree that monitoring the DPNR's hiring during these monthly meetings meets the intent of our recommendation. Furthermore, Region 2 stated that as of September 2025, the DPNR assigned two financial managers to the DPNR's Environmental Protection Division and that Region 2 has planned a five-day, in-person grants management training for DPNR staff to take place by the end of January 2026.²⁴ The proposed corrective actions and estimated completion date for Recommendation 1 meet the intent of our recommendation. Therefore, Recommendation 1 is resolved with corrective actions pending.

For Recommendation 2, Region 2 concurred and proposed to engage with the USVI governor and the DPNR commissioner by the end of February 2026 to establish target dates to submit all grant reimbursements and closeouts. The proposed corrective actions and estimated completion date for Recommendation 2 meet the intent of our recommendation. Therefore, Recommendation 2 is resolved with corrective action pending.

For Recommendation 3, Region 2 concurred. Region 2 proposed to develop a plan, also by the end of February 2026, that identifies appropriate potential actions consistent with the provisions of 2 C.F.R. § 200.339 and the timeline established in Recommendation 2. This proposed corrective action and estimated completion date for Recommendation 3 meet the intent of our recommendation. Therefore, Recommendation 3 is resolved with corrective action pending.

For Recommendation 4, Region 2 partially concurred. Region 2 stated that the DPNR's corrective action plan to address its high-risk grantee designation from the EPA requires the DPNR to maintain an administrative standard operating procedures manual. DPNR staff told us that the standard operating procedures approved by Region 2 does not guide them to complete their day-to-day tasks. However, Region 2 stated that procedures on how to complete administrative reimbursement requests are included in the manual, and the discrepancy is that the DPNR has not yet had the opportunity to train its staff on the procedures. Instead, Region 2 proposed to monitor and provide technical assistance for the DPNR's efforts to update its standard operating procedures by November 2026. Region 2 said that it will accomplish this through monthly meetings with the DPNR and that it included grant reimbursement and

²⁴ After receiving the Agency's response to the draft report in Appendix A, Region 2 rescheduled this training to January 2026.

drawdown processes on the agenda for the grants management training. The proposed corrective actions and estimated completion date for Recommendation 4 meet the intent of our recommendation. Therefore, Recommendation 4 is resolved with corrective actions pending.

For Recommendation 5, Region 2 concurred and proposed to work with the DPNR and USVI small water systems to identify opportunities to engage about the available technical assistance by October 2026. Region 2 stated that past attempts to provide technical assistance were not successful but that it is now able to offer engineering technical assistance that may better fit the needs of USVI small water systems. We are encouraged by this newly available engineering technical assistance. The proposed corrective action and estimated completion date for Recommendation 5 meet the intent of our recommendation. Therefore, Recommendation 5 is resolved with corrective actions pending.

Status of Recommendations

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date
1	23	Develop and implement a plan to monitor the U.S. Virgin Islands' Department of Planning and Natural Resources' hiring for its federal grants manager position and then provide grants management training to the new hire within six months of the start date. Doing so would help address the Department of Planning and Natural Resources' insufficient staffing to manage its clean water and drinking water construction grants.	R	Regional Administrator for Region 2	1/31/26
2	23	Establish a timeline for the U.S. Virgin Islands' Department of Planning and Natural Resources to submit administrative reimbursement requests for costs incurred on all clean water and drinking water construction grants that had a period of performance end date of September 30, 2024, or before. Additionally, encourage the Department of Planning and Natural Resources to collaborate with Region 2 on the establishment of this timeline. Doing so would help address the Department of Planning and Natural Resources' backlog of administrative reimbursement requests. It would also give the Department of Planning and Natural Resources the documentation it needs to complete required grant closeout reports, such as the federal financial reports for the nine grants that are past their period of performance as of March 2025.	R	Regional Administrator for Region 2	2/28/26
3	23	Develop a plan to identify and implement the appropriate remedy, pursuant to 2 C.F.R. § 200.339, if the U.S. Virgin Islands' Department of Planning and Natural Resources does not meet the timeline established in Recommendation 2.	R	Regional Administrator for Region 2	2/28/26
4	23	Develop a plan to monitor progress and provide grants management technical assistance to support the U.S. Virgin Islands' Department of Planning and Natural Resources with updating and training staff on the Department of Planning and Natural Resources' Division of Business and Administrative Services' <i>Standard Operating Procedures Manual</i> . Doing so would address the Department of Planning and Natural Resources' insufficient training on the standard operating procedures for grants management tasks.	R	Regional Administrator for Region 2	11/16/26
5	23	Develop and implement a plan to work with the U.S. Virgin Islands' Department of Planning and Natural Resources to increase outreach activities on EPA technical assistance opportunities to the U.S. Virgin Islands' small water systems. Doing so would improve the Department of Planning and Natural Resources' capacity to conduct outreach and offer technical assistance to small water systems, thereby increasing program participation.	R	Regional Administrator for Region 2	10/31/26

* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

Agency Response to the Draft Report



October 20, 2025

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report: Evaluation of the U.S. Virgin Islands' Capacity to Manage and Use Infrastructure Investment and Jobs Act Funds for Clean Water and Drinking Water Infrastructure Improvements, Project No. OSRE-FY24-0118, dated August 25, 2025

FROM: Michael R. Martucci
Regional Administrator

TO: Paul Bergstrand, Assistant Inspector General
Office of Special Review and Evaluation
Office of Inspector General

**MICHAEL
MARTUCCI**

Digitally signed by
MICHAEL MARTUCCI
Date: 2025.10.20
13:26:29 -04'00'

Thank you for the opportunity to respond to the issues and recommendations set forth in the Office of Inspector General's draft report: Evaluation of the U.S. Virgin Islands' Capacity to Manage and Use Infrastructure Investment and Jobs Act Funds for Clean Water and Drinking Water Infrastructure Improvements, Project No. OSRE-FY24-0118, dated August 25, 2025.

The following is a summary of the agency's overall position, followed by its response to each of the report recommendations. More detailed, specific technical comments and suggestions on the draft report are included in the attachment.

AGENCY'S OVERALL POSITION

EPA concurs with Recommendations 2, 3 and 5, and partially concurs with Recommendations 1 and 4.

It is EPA's position that the intent of OIG Recommendation 1 has been satisfied. Region 2 Mission Support Division's (MSD) Grants and Compliance Management Branch (GCMB) and Financial Management Branch (FMB) hold monthly status meetings with VIDPNR's administrative and program personnel to monitor progress on implementing the administrative Corrective Action Plan (CAP) - See attached documentation. It is important to mention that we first learned in August 2025 of the new hires when DPNR requested grants management training (see attached emails). DPNR's Business and Administrative Services Director confirmed to the Region 2 grants office during our monthly meeting held on September 25, 2025, that two financial managers have been hired/assigned to service the Environmental Protection Division, which is the division responsible for carrying out the EPA assistance agreements. They have also assigned a grants administrator (formerly grants manager). The Region 2 Mission Support Division (FMB and GCMB) and a financial specialist from EPA's RTP Finance Center will provide a 5-day grants management training during the week of December 1, 2025 (see attached agenda for more information). This training was originally slated for the week of October 6, 2025, however, due to the current Federal budget status, it was postponed until December 2025. The VIDPNR Business and Administrative Services Office Director, the grants administrator and the financial managers will participate in this training.

It is also EPA's position that the intent of OIG Recommendation 4 has been satisfied. Region 2 has provided technical assistance to VIDPNR in developing and updating its SOP Manual in the past. The current version was completed and concurred on by the EPA Region 2 GCMB in May 2023. EPA will continue to monitor VIDPNR's efforts to update the SOP manual via monthly meetings and provide technical assistance to ensure that the SOP manual continues to provide adequate internal controls and compliance with federal grant requirements.

The following provides additional details regarding our position for each OIG recommendation.

AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

OIG Recommendation 1: Develop and implement a plan to monitor the U.S. Virgin Islands' Department of Planning and Natural Resource's hiring for its federal grants manager position and then provide grants management training to the new hire within six months of the start date. Doing so would help address the Department of Planning and Natural Resources' insufficient staffing to manage its clean water and drinking water construction grants.

EPA Response: Partially Concur. While EPA agrees that insufficient staffing is a key challenge for the USVI, we do not agree that developing and implementing a plan to monitor DPNR's hiring for vacant positions would help address its capacity issues. As

OIG noted in the report, low salary and no qualified applicants were identified as concerns. Region 2's position is that these are the primary reasons for DPNR's insufficient staffing to manage its grants. Also, as noted above, Region 2 is already monitoring USVI DPNR's hiring for a federal grants manager position, as well as financial manager and accountant positions. Two financial managers and a grants administrator (formerly grants manager) have been hired/assigned to administer the EPA assistance agreements. In addition, Region 2 has been providing grants management training and technical assistance to new and existing DPNR program and administrative personnel on an ongoing basis. We agree that EPA-provided training within 6 months of the employee's start date would be beneficial to build capacity in DPNR staff. Therefore, we propose that the recommendation be modified to focus on providing grants management training and technical assistance to DPNR's personnel and supporting the department's efforts to fill positions to the extent EPA is able to do so within its purview. It is our position that this revised recommendation would be more impactful than a recommendation centered around the development and implementation of a plan to monitor the hiring.

Proposed Corrective Actions: Region 2 has been providing grants management training and technical assistance on an ongoing basis for existing and new personnel. The region will provide grants management training for new DPNR personnel within six months of the employee's start date.

Estimated Completion Date: January 31, 2026 (for delivery of grants management training to newly hired financial managers)

OIG Recommendation 2: Establish a timeline for the U.S. Virgin Islands' Department of Planning and Natural Resources to submit administrative reimbursement requests for costs incurred on all clean water and drinking water construction grants that had a period of performance end date of September 30, 2024, or before. Additionally, encourage the Department of Planning and Natural Resources to collaborate with Region 2 on the establishment of the timeline. Doing so would help address the Department of Planning and Natural Resources' backlog of administrative reimbursement requests. It would also give the Department of Planning and Natural Resources the documentation it needs to complete required grant close out reports, such as the federal financial reports for the nine grants that are past their period of performance.

EPA Response: Concur. The Regional Administrator and Region 2 Senior Leadership have engaged and continue to engage with the Governor and the VIDPNR Commissioner concerning the capacity issues and the backlog of grant reimbursements and closeouts. On September 8, 2025, the Region 2 MSD Director discussed an approach with the Commissioner that will establish a target date by which VIDPNR will have submitted all remaining reimbursement request packages and final federal financial reports to complete drawdowns and closeout of the expired assistance agreements. As agreed

during that discussion, the R2 GCMB will work with the VIDPNR Business Office Director on the details of the plan.

Proposed Corrective Actions: EPA Region 2 has engaged the Governor and the VIDPNR Commissioner concerning the capacity issues and the backlog of grant reimbursements and closeouts. The Region will work with VIDPNR to establish a plan and target date by which all remaining reimbursement request packages and final federal financial reports will be submitted to complete drawdowns and closeout of the expired assistance agreements.

Estimated Completion Date: 2/28/2026 for the final plan with timeline

OIG Recommendation 3: Develop a plan to identify and implement the appropriate remedy, pursuant to 2 C.F.R. § 200.339, if the U.S. Virgin Islands' Department of Planning and Natural Resources does not meet with the timeline established in Recommendation 2.

EPA Response: Concur. The Region will develop a plan that identifies an appropriate potential action or actions consistent with 2 C.F.R. § 200.339 and the timeline established in Recommendation 2. It is important to mention that implementation of any remedy for noncompliance will be based upon current circumstances and therefore, such a plan is not a final decision to carry out the identified remedy or remedies. Such decisions are at EPA's discretion.

Proposed Corrective Actions: A plan will be developed which identifies appropriate potential actions consistent with provisions of 2 C.F.R. § 200.339 and the timeline established in Recommendation 2.

Estimated Completion Date: 2/28/2026

OIG Recommendation 4: Develop a plan to monitor progress and provide grants management technical assistance to support the U.S. Virgin Islands' Department of Planning and Natural Resources with updating the Department of Planning and Natural Resources' Division of Business Administrative Service's Standard Operating Procedures Manual until its completion. Doing so would address the Department of Planning and Natural Resources' insufficient standard operating procedures for grants management tasks.

EPA Response: Partially Concur. Region 2 MSD's plan is to monitor VIDPNR's efforts to update the Standard Operating Procedures (SOP) manual via monthly Corrective Action Plan (CAP) meetings and provide technical assistance to ensure that the SOP manual continues to provide adequate internal controls and maintains compliance with federal grant requirements.

Region 2's MSD has provided technical assistance to VIDPNR over the years in developing and updating its SOP Manual. Maintaining the SOP manual is a key element

of VIDPNR's administrative CAP. The current version was completed and concurred on by the EPA Region 2 GCMB in May 2023 as part of the CAP. VIDPNR is required to update the SOP manual when there are changes in policies and procedures and train its staff on the applicable changes. The draft report indicates on page 17 that the SOP manual is not helpful because it does not guide staff on how to "complete their day-to-day tasks" and states that the document does not detail how to complete administrative reimbursement requests. We also note that the draft report indicates on page 20 that the Administrative Director informed the OIG that the division is working on updates to its standard operating procedures to be more helpful. EPA believes that the SOP manual does provide steps on how to prepare the reimbursement requests via the checklist titled, Checklist for Preparation & Review of Advance/Reimbursement Requests (Appendix BC) which is referenced on page 23 of the SOP manual. The instructions/steps described on page 23 of the SOP manual, together with the checklist in the Appendix provide adequate details for preparing reimbursement request packages for submittal to EPA. Due to turnover and staffing gaps, VIDPNR has not had an opportunity to fully train staff on the procedures. In fact, one of the key corrective actions of the CAP is for VIDPNR to develop and implement a training plan, which will include training staff on the SOP Manual to ensure full implementation. To supplement VIDPNR's training needs, MSD provides grants management training to new and existing staff. This training covers the grant reimbursement and drawdown process (see attached agenda for the upcoming December 1 – 5, 2025 training).

Proposed Corrective Actions: The current version of VIDPNR's SOP manual was completed and concurred on by the R2 GCMB in May 2023 as part of the administrative CAP. VIDPNR is required to update the SOP manual when there are changes in policies and procedures and train its staff on the applicable changes on an ongoing basis. EPA's plan is to continue monitoring VIDPNR's efforts to update the SOP manual via our monthly CAP status meetings and provide technical assistance to ensure that the SOP manual continues to provide adequate internal controls and compliance with federal grant requirements. Completion of the updates is largely dependent on VIDPNR's efforts.

Estimated Completion Date: 11/16/2026 (contingent upon VIDPNR's schedule for making a draft available to EPA.)

OIG Recommendation 5: Develop and implement a plan to work with the U.S. Virgin Islands' Department of Planning and Natural Resources to increase outreach activities on EPA technical assistance opportunities to the U.S. Virgin Islands' small water systems. Doing so would improve the Department of Planning and Natural Resources' capacity to conduct outreach and offer technical assistance to small water systems and thereby increase program participation.

EPA Response: Concur. Region 2 notes that past attempts to provide technical assistance through EPA Region 2's contractors were not successful for small water systems as these systems needed engineering assistance. Unfortunately, engineering assistance was not

available through EPA Technical Assistance (TA) providers. However, within the past year, EPA Headquarters procured contractor assistance to provide communities with the engineering expertise needed to apply for EPA funding for drinking water, wastewater, and stormwater infrastructure projects. Hence, we suggest modifying recommendation number 5 to state “new” technical assistance opportunities available through Headquarters in order to provide engineering assistance to small water systems.

Proposed Corrective Actions: Region 2 will work with the USVI small water systems and DPNR to identify new technical assistance for engineering support available for small water systems and share this information. The USVI small water systems must agree to receiving this assistance available through EPA Headquarters that will provide needed engineering support for the Territory’s small water systems.

Estimated Completion Date: 10/31/2026

CONTACT INFORMATION

If you have any questions regarding this response, please let me know or have your staff communicate with Arlene Chin, Region 2’s Audit Follow-up Coordinator, at (212) 637-3408 (Chin.Arlene@epa.gov), Sandy Whittaker, Section Supervisor, Grants Management Section, at (212) 637-3458 (Whittaker.Sandy@epa.gov), or Rudnell (Rudy) O’Neal, Manager, Grants and Compliance Management Branch, at (212) 637-3427 (Oneal.Rudnell@epa.gov).

Attachments:

Technical Comments on OIG Draft Report: OSRE-FY24-0118

Email-RESCHEDULING VIDPNR FEDERAL GRANTS TRAINING FOR FINANCIAL STAFF.pdf

VIDPNR Intensive Federal Grants Training-Agenda.pdf

Standard Operating Procedures Manual (2022).pdf

Monthly EPA VIDPNR Meeting Series CY25 – Attendance report.pdf

Distribution

The Administrator
Deputy Administrator
Associate Deputy Administrator
Assistant Deputy Administrator
Chief of Staff, Office of the Administrator
Deputy Chief of Staff for Management, Office of the Administrator
Agency Follow-Up Official (the CFO)
Regional Administrator for Region 2
Assistant Administrator for Water
Principal Deputy Assistant Administrator for Water
Chief of Staff, Office of Water
Agency Follow-Up Coordinator
General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
Deputy Regional Administrator for Region 2
Deputy Assistant Administrator for Water
Director, Office of Continuous Improvement, Office of the Chief Financial Officer
Director, Caribbean Environmental Protection Division, Region 2
Director, Office of Wastewater Management, Office of Water
Director, Office of Ground Water and Drinking Water, Office of Water
Director, Office of Program Analysis, Regulatory, and Management Support, Office of Water
Associate Director, Office of Program Analysis, Regulatory, and Management Support, Office of Water
OIG Liaison, Office of Policy, Office of the Administrator
GAO Liaison, Office of Policy, Office of the Administrator
Audit Follow-Up Coordinator, Office of the Administrator
Audit Follow-Up Coordinator, Region 2
Audit Follow-Up Coordinator, Office of Water



Whistleblower Protection

U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit our [website](https://www.epa.gov/oig).

Contact us:



Congressional & Media Inquiries: OIG.PublicAffairs@epa.gov



EPA OIG Hotline: OIG.Hotline@epa.gov



Web: epa.gov/oig

Follow us:



X: [@epaoig](https://twitter.com/epaoig)



LinkedIn: linkedin.com/company/epa-oig



YouTube: youtube.com/epaoig



Instagram: [@epa.ig.on.ig](https://www.instagram.com/epa.ig.on.ig)



www.epa.gov/oig