

Review of the EPA's Water Earmark Drawdown Documentation

April 15, 2026 | Report No. 26-N-0023



Abbreviations

EPA U.S. Environmental Protection Agency
OIG Office of Inspector General

Cover Image

Water infrastructure construction. Several individuals, including two wearing yellow vests and hard hats and one wearing a blue windbreaker, are pictured from the back working on a blue water pipe.
(EPA image)

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OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

April 15, 2026

MEMORANDUM

SUBJECT: Review of the EPA's Water Earmark Drawdown Documentation Report
No. 26-N-0023

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

TO: Jessica L. Kramer, Assistant Administrator
Office of Water

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was OA-FY25-0084. This report contains findings that describe the problems the OIG has identified.

The Office of Water is responsible for the issues discussed in this report.

A response to this report is not required because the report contains no recommendations. 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.



Review of the EPA’s Water Earmark Drawdown Documentation

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Background, Scope, & Methodology

The U.S. Environmental Protection Agency Office of Inspector General initiated an audit to determine whether the EPA is awarding water funding for congressionally directed spending and community project funding, commonly known as “earmarks,” in accordance with federal and EPA requirements. The project number for this audit was OA-FY24-0064. While conducting work on this audit, which remains ongoing, we are issuing this report to inform the Agency that the OIG has concerns about a lack of post-award monitoring documentation for the drawing down of these grant funds.

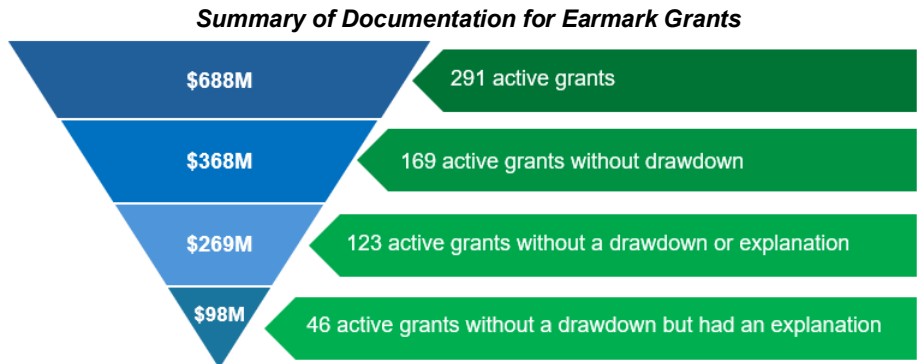
From March 2022 to March 2024, Congress appropriated about \$3.7 billion for 2,220 earmark projects. The EPA had awarded 743 earmark grants totaling about 35 percent of these funds as of July 1, 2025. The EPA regional offices administer these funds for drinking water, wastewater, and stormwater infrastructure and quality improvements.

We conducted this work during our ongoing audit. While we did not follow generally accepted government auditing standards or the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*, we did follow the OIG’s quality-control procedures for ensuring that the information in this report is accurate.

We reviewed the 291 active earmark grants awarded by September 30, 2024, to determine whether regional office personnel monitored and documented recipients’ drawdowns of funds in accordance with the Agency’s grants policies. We reviewed data from the Agency’s financial management system as well as the grant files that are maintained on its agencywide intranet.

Finding

The EPA did not always ensure that its personnel documented why grant recipients did not draw down earmark funds in their monitoring reports. The EPA’s *Policy on Compliance, Review and Monitoring* requires regional office personnel to conduct annual grant monitoring, which may include, as appropriate, whether expended and remaining funds are reasonable. Of the 291 active earmark grants reviewed, we determined that 169, or about 58 percent, had not drawn down awarded grant funds within 180 days from the award date. For 123 of those 169 grant files, or about 73 percent, EPA personnel did not document in the required annual review reports or in grant files the reasons that the recipients did not have any financial activity. These 123 grants were valued at approximately \$269 million. The following image summarizes this information with rounded funding amounts.



Source: OIG analysis of earmarks awarded by September 30, 2024. (EPA OIG image)

Criteria



EPA Order 5700.6 A2 CHG 2, *Policy on Compliance, Review and Monitoring*, requires an annual review of an assistance agreement recipient’s progress, and regulatory requirements, among other things, and includes the review of whether expended and remaining funds are reasonable.

Amended EPA Grants Policy Issuance 11-01 – *Managing Unliquidated Obligations and Ensuring Progress under EPA Assistance Agreements* mandates an unliquidated obligation review at least annually for grants with no financial activity for 180 days or more to assess the effectiveness of grant funds utilization.

Grant recipients may have reasons for not drawing down funds, such as obtaining permits or construction delays. However, delays or a lack of drawdowns for prolonged periods of time may negatively impact project completion or contribute to the Agency’s grants management workload. Without documenting recipients’ reasoning in the required annual review reports for their lack of financial activity on earmark grants, the EPA may not be able to provide assurance that the projects are progressing as expected. Although not required, the Agency provided a formal response to our draft report and took some corrective actions to address our findings, which we include in the appendix.

Agency Response to the Draft Report



ASSISTANT ADMINISTRATOR FOR WATER

WASHINGTON, D.C. 20460

February 9, 2026

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report: Project No. OA-FY25-0084, *Review of the EPA's Water Earmark Drawdown Documentation*, January 5, 2026

FROM: Jessica L. Kramer **Jessica Kramer** Digitally signed by Jessica Kramer
Date: 2026.02.09
15:22:12 -05'00'

TO: Nicole N. Murley, Acting Inspector General
Office of Inspector General

Thank you for the opportunity to review and respond to the Office of Inspector General's draft report titled *Review of the EPA's Water Earmark Drawdown Documentation*, Project No. OA-FY25-0084, dated January 5, 2026. The following is a summary of the U.S. Environmental Protection Agency's overall position, followed by its position on the draft report's finding.

AGENCY'S OVERALL POSITION

The EPA's Office of Water interprets *Review of the EPA's Water Earmark Drawdown Documentation*, Project No. OA-FY25-0084, as being specific to the EPA's Unliquidated Obligations (ULO) Review Requirement for water earmarks (i.e., the agency's requirement for regional office personnel to review and document whether remaining funds for water earmark grant awards under which recipients haven't drawn down funds for 180 days are needed to satisfactory complete the project). However, the title of the draft report, *Review of the EPA's Water Earmark Drawdown Documentation*, implies that the scope of the audit is focused on documentation related to drawdowns that have occurred. OW understands that the scope of the OIG's ongoing *Audit of the EPA's Approval of Earmark Grant Recipient Payment Requests*, Project No. OA-FY26-0023, covers drawdowns that have occurred and requests that the title of the draft report for Project number OA-FY25-0084 is modified to explicitly relate to the ULO Review requirement. For example, the OIG could consider the following title, "*Review of EPA's Management of Unliquidated Obligations for Water Earmarks.*" Additionally, the ULO Requirement specifies that regional personnel document ULOs in the EPA's Office of Finance Administration (OFA) ULO Review Tool; documentation of ULOs is not an explicit requirement for individual grant project files.

AGENCY RESPONSE

OIG Finding	How OW Addressed the OIG Finding
<p>The EPA did not always ensure that its personnel documented why grant recipients did not draw down earmarked funds in their monitoring reports, as required by the EPA’s grant policy issuance for managing unliquidated obligations and ensuring timely progress of work for grants.</p>	<p>The Office of Water has ensured OFA’s ULO Review Requirement guidance was provided to regional water earmark program personnel.</p> <ul style="list-style-type: none">• OW discussed the project officer requirements under the ULO Review Policy with Community Grants Regional Coordinators and project officers during the Monthly Call on January 8, 2026.• OW posted a copy of the training on our internal SharePoint site on January 15, 2026.• OW re-shared OFA’s ULO Review training in the January Community Grants Program Newsletter on January 20, 2026.

CONTACT INFORMATION

If you have any questions regarding this response, please have your staff contact OW’s Audit Follow-Up Coordinator, Carla Hagerman, at Hagerman.Carla@epa.gov.



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U.S. Environmental Protection Agency

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