

# Audit of Environmental Finance Centers Providing Water Infrastructure Technical Assistance in EPA Region 4

April 29, 2026 | Report No. 26-P-0026



## Abbreviations

C.F.R.	Code of Federal Regulations
EFC	Environmental Finance Center
EPA	U.S. Environmental Protection Agency
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
SERCAP	Southeast Rural Community Assistance Partnership
SRF	State Revolving Fund
SSDN	Southeast Sustainability Directors Network
TA	Technical Assistance
UNC	University of North Carolina at Chapel Hill

## Key Definitions

Cooperative Agreement	The EPA issues cooperative agreements to support and stimulate a public purpose. A cooperative agreement, rather than a grant, is issued when substantial programmatic involvement is anticipated between the EPA and the funding recipient during the performance of the agreement activities.
Outcome	An outcome is the result, effect, or consequence from accomplishing outputs. An outcome may not be obtainable within the funding period and must be quantitative.
Output	An output is the activity, effort, or product that will be accomplished over a period or by a specific date. An output may be quantitative or qualitative but must be measurable.

## Cover Image

A catwalk over a sedimentation basin at the Ashburton Filtration Plant, Baltimore, Maryland.  
(EPA image)

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# At a Glance

## Audit of Environmental Finance Centers Providing Water Infrastructure Technical Assistance in EPA Region 4

### Why We Did This Audit

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether the Environmental Finance Centers, which are funded by annual and Infrastructure Investment and Jobs Act appropriations and perform work in EPA Region 4 states, are accomplishing the outputs and outcomes established in their cooperative agreements.

Water infrastructure is critical to providing Americans safe drinking water and treating wastewater to protect our waterways. National surveys report that communities will need \$1.26 trillion over 20 years to address water infrastructure needs. The EPA, through the state revolving funds and other opportunities, offers states funding; the states then award grants and loans to communities to address infrastructure needs.

In November 2022, the EPA announced that it would award over five years up to \$150 million to 29 Environmental Finance Centers to provide communities technical assistance to address water infrastructure needs. For our review, we selected the eight centers that perform work in Region 4. Of those, four are managed by the region and four by the EPA Office of Water.

#### To support this EPA mission-related effort:

- *Ensuring Clean and Safe Water*

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### What We Found

We found that six out of the eight Environmental Finance Centers, or EFCs, that provided technical assistance, or TA, in EPA Region 4 exceeded their target output for the number of communities receiving TA over the first year of performance under their cooperative agreements. This TA was the primary way that the EFCs expanded access to water infrastructure funding for communities that had not previously benefited from TA or federal funding. However, several factors, related to capacity, community awareness, and management and support of the EFC program, adversely affected the performance of the EFCs. By addressing these factors, the EPA could further achieve the EFC program's goal to provide technical assistance that expands community access to water infrastructure funding, leading to improvements in protecting human health and the environment.

We also found that the TA provided by two categories of EFCs—regional and national—was distributed among the eight states in EPA Region 4 in a manner not aligned with one of the EPA's stated priorities for the EFC program: to increase access to funding across geographically diverse communities. While the program in general increased access, the misaligned distribution occurred because the EPA did not specify how the regional EFCs should achieve geographic coverage and how the national EFCs should identify and fill TA gaps. As a result, only one out of the eight EFC work plans we reviewed specified how TA would be distributed. The misaligned distribution may have prevented some Region 4 communities from accessing TA that could have helped them apply for water infrastructure funding.

In addition, we found two issues with how EPA Region 4 managed four EFC cooperative agreements: It did not sufficiently document its evaluations and incorrectly obligated EFC funding. These issues were partly caused by the region's decisions to reassign the administrative project officer and divide project officer administrative and technical responsibilities between the region's Water and Mission Support divisions without ensuring that the decisions would not impair the region's ability to fulfill its oversight responsibilities. Such actions adversely affected communication about EFC progress and reduced the EPA's awareness of problems affecting the performance of the EFCs.

**Effective use of technical assistance can enable communities to better access federal funding for needed water infrastructure improvements.**

### Recommendations and Planned Agency Corrective Actions

We recommend that the EPA implement solutions addressing challenges that limit community access to EFC TA and work with EFCs to improve the geographic distribution of TA. We also recommend that EPA Region 4 adopt documentation standards to better evaluate and document cooperative agreement progress and consider options to better manage EFC cooperative agreements, including consolidation of EFC management.

The Office of Water and the regional administrator for Region 4 proposed acceptable corrective actions and estimated completion dates for the four recommendations. These recommendations are resolved pending completion of corrective actions.



**OFFICE OF INSPECTOR GENERAL**  
U.S. ENVIRONMENTAL PROTECTION AGENCY

April 29, 2026

**MEMORANDUM**

**SUBJECT:** Audit of Environmental Finance Centers Providing Water Infrastructure Technical Assistance in EPA Region 4  
Report No. 26-P-0026

**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

Kevin J. McOmber, Regional Administrator  
Region 4

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-FY25-0015. 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.

The Office of Water and Region 4 are responsible for the issues discussed in this report.

In accordance with EPA Manual 2750, the Office of Water and the regional administrator for Region 4 provided acceptable planned corrective actions and estimated milestone dates in response to OIG recommendations. All recommendations are resolved, and no final response to this report is required. If your offices submit responses, however, they will be posted on the OIG's website, along with our memorandum commenting on the responses. Responses should be provided as Adobe PDF files that comply with the requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final responses should not contain data that your office does not want released to the public; if your 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](http://www.epa.gov/oig).

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# Chapter 1

## Introduction

### Purpose

The U.S. Environmental Protection Agency Office of Inspector General initiated this audit to determine whether the Environmental Finance Centers, or EFCs, which are funded by annual and Infrastructure Investment and Jobs Act, or IIJA, appropriations and perform work in EPA Region 4 states, are accomplishing the outputs and outcomes established in their cooperative agreements.

### Background

Water infrastructure is critical to providing Americans safe drinking water and treating wastewater to protect our waterways. According to the EPA, over 148,000 public water systems provide drinking water to 90 percent of Americans, and approximately 16,000 municipal wastewater treatment facilities operate nationwide, serving over 75 percent of the U.S. population. These water infrastructure systems safeguard public health and protect communities from exposure to water contaminants. Many communities lack the resources to access drinking water and wastewater infrastructure project funding; others cannot afford the costs to maintain or improve water infrastructure. In September 2023, the EPA reported a \$625 billion need for drinking water infrastructure improvements nationwide over the next 20 years. In April 2024, the Agency reported a \$630 billion need for wastewater infrastructure improvements over the next 20 years.

### *The EPA's Environmental Finance Center Program*

The EPA established EFCs in 1992 and funded them using authorities provided under the Safe Drinking Water Act, the Clean Water Act, and other environmental statutes. The EFCs are nonprofit organizations—some of which are based at universities—that provide technical assistance, or TA. In this report, we will refer to the EPA-funded work of the EFCs and the work the EPA performs in awarding and overseeing the cooperative agreements as the “EFC program.” A goal of the EFC program is to offer TA to help more communities identify infrastructure needs, plan for capital improvements, and apply for infrastructure funding. The types of TA that EFCs provide include preliminary engineering reports, assessments, capacity building, and training on how to access federal funding. Communities can choose whether to participate in the TA offered by the EFCs.

## ***State Revolving Fund Programs***

The EFC program supports TA related to the Drinking Water State Revolving Fund and the Clean Water State Revolving Fund programs. Throughout this report, we will refer to these two programs together as the “SRF programs” and separately as the DWSRF or CWSRF, respectively. The SRF programs are federal-state financial assistance programs that help local governments and states achieve public health objectives and protect water resources. The EPA annually provides capitalization grants to the states to fund the state SRF programs, with the states contributing an additional match as statutorily required.

Each state is responsible for the operation of its SRF programs, which act as infrastructure banks by providing low-interest loans to eligible recipients for water infrastructure projects. As recipients repay their loan principal and interest, the state can make new loans as the funds revolve over time. The SRF programs also allow states to provide other financial assistance, such as principal forgiveness, low-interest loans, and extended loan terms, to state-defined disadvantaged communities. Each state SRF program annually creates an intended use plan, prioritizing the funding for water infrastructure projects.

## ***Infrastructure Investment and Jobs Act***

The IIJA, enacted on November 15, 2021, appropriated over \$43 billion in funding to the SRF programs over five years. This appropriation increased the availability of water infrastructure funding for communities in all states. The IIJA also authorized the EPA to retain up to two or three percent of SRF funds to administer and support the SRF programs; the percentage varied by year.

## ***EFC Cooperative Agreement Competition in 2022***

The EPA announced on April 19, 2022, a request for applications to establish new EFCs. The EPA graded applicants’ suitability for providing TA according to the following and other criteria:

- The application’s demonstration of 1) a sound plan for measuring progress toward achieving the described outputs and outcomes and 2) an adequate milestone schedule that included time frames for completing significant project tasks.
- The applicant’s ability to successfully complete the proposed work considering the applicant’s organizational experience.

On November 4, 2022, the EPA announced that it would award over five years a total up to \$150 million to the 29 EFCs selected, of which \$98 million would come from the IIJA through the SRFs and the remainder from annual appropriations.

The EPA established in its request for applications that it would provide funding to the EFCs through cooperative agreements. A cooperative agreement is different than a grant in that it requires substantial involvement by the EPA. For the EFC program, this involvement includes close monitoring of EFC performance and consulting with EFCs on effective methods.

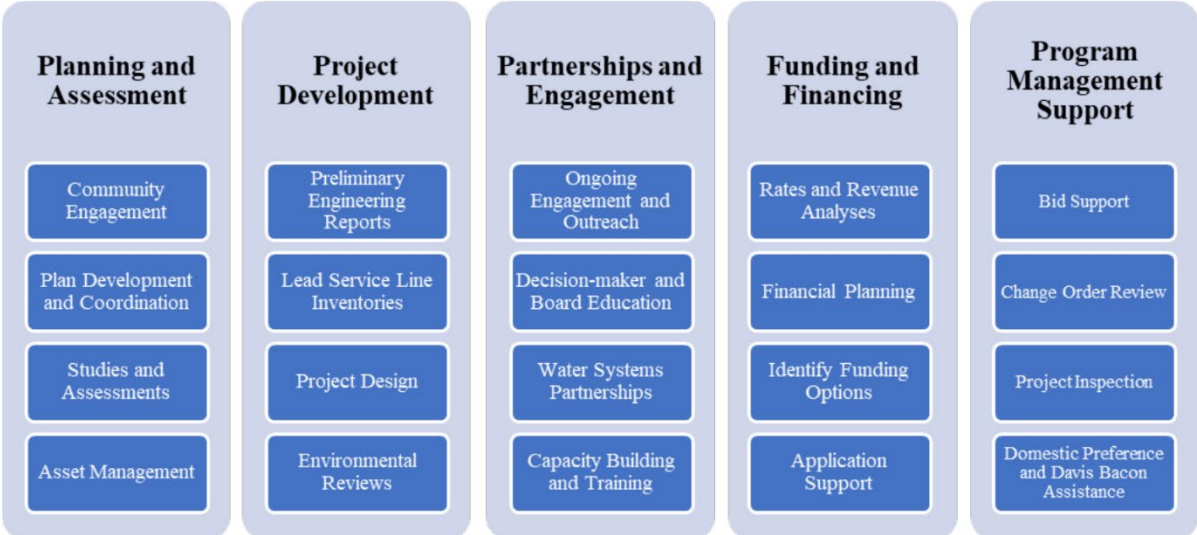
**Water Technical Assistance Implementation Memorandum**

On March 24, 2023, the EPA issued the *Implementation of EPA Water Technical Assistance (TA) memorandum*, which explained how the EPA supports the TA EFCs provide to communities across the country.<sup>1</sup> The EPA listed three principles:

- Provide direct water TA to communities.
- Support communities to take concrete steps toward accessing water infrastructure funding.
- Coordinate and collaborate to support effective delivery of water TA.

The EPA reaffirmed a goal for EFC-provided TA to result in more communities applying for federal funding. It also described the types of services that could be provided to communities, as shown in Figure 1 below.

**Figure 1: Technical assistance services available through EFCs**



Source: EPA Water Technical Assistance Memorandum, March 24, 2023. (EPA figure)

**EFC Categories**

The EPA created three categories of EFCs in 2022, as shown in Table 1. Each category of EFC is different in scope and the kinds of assistance the EFCs provide. Throughout this report, we refer to regional EFCs funded by annual appropriations as multi-environmental media EFCs, IJJA-funded regional EFCs as regional EFCs, and IJJA-funded national EFCs as national EFCs. While multi-environmental media EFCs can be funded to perform TA related to a number of environmental issues, for the past 10 years,

<sup>1</sup> On March 4, 2026, the assistant administrator for Water replaced this memorandum with new [directions](#) on the EPA’s water technical assistance work.

EPA Region 4, the region of focus for this audit, funded the multi-environmental media EFCs mostly with drinking water and wastewater funding authorities.

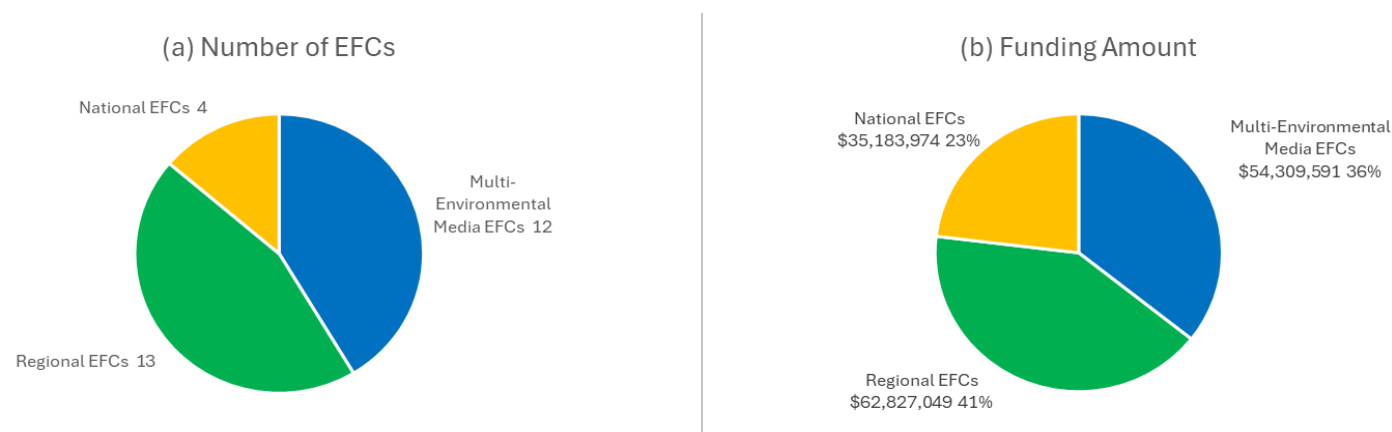
**Table 1: EFC categories**

EFC Category	Geographic Coverage	Funding Source	Scope of Work
<b>Multi-Environmental Media EFC</b>	Regional	Annual Appropriations	Share environmental financing information through direct services, training, workshops, studies, reports, videos, case studies, best practices, guidance, and technical tools.
<b>Regional EFC</b>	Regional	IIJA	Assist communities, specifically disadvantaged, rural, and tribal communities, with environmental finance-related projects to address drinking water, wastewater, and stormwater needs. The services relate to communities accessing IIJA funding.
<b>National EFC</b>	National	IIJA	Provide services across the country and address any gaps that may exist in the coverage of the regional EFCs. This ensures that EFCs reach geographically diverse communities of varying sizes, and serve urban, suburban, and rural communities. The services relate to communities accessing IIJA funding.

Source: EPA EFC request for applications. (EPA OIG table)

The EPA selected one or two multi-environmental media EFCs and one or two IIJA-funded regional EFCs for each of the 10 EPA regions, for a total of 12 and 13, respectively, as shown in Figure 2a. The regions awarded the cooperative agreements for these EFCs.

**Figure 2: Distribution of (a) the number of EFCs and (b) the funding amount**



Source: EPA EFC competition summary. (EPA OIG image)

The EPA also selected four IIJA-funded national EFCs to provide services across the country and address gaps in the coverage provided by the regional EFCs. The EPA committed 23 percent of the funds to the national EFCs, as shown in Figure 2b.

## ***EFC Program Reporting and Monitoring Requirements***

Pursuant to 2 C.F.R. § 200.301 of the Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," federal awarding agencies must measure the performance of cooperative agreement recipients "to show achievement of program goals, share lessons learned, improve program outcomes, and foster the adoption of promising practices." The EFCs are responsible for performing work that aligns with and accomplishes the outputs and outcomes stated in their work plans and documenting that work in performance reports as required by 2 C.F.R. § 200.329. The terms and conditions of the EFC cooperative agreements specified that each recipient is to submit these performance reports to the EPA quarterly. The reports must include a comparison of actual accomplishments to the outputs and outcomes established, the reasons why established outputs and outcomes were not met, and other pertinent information, such as an explanation of cost overruns.

## **Responsible Offices**

The EFC program is led by the Office of Wastewater Management and the Office of Ground Water and Drinking Water. The Office of Wastewater Management supports the Clean Water Act by promoting effective wastewater and stormwater management. The Office of Ground Water and Drinking Water supports the Safe Drinking Water Act by promoting effective ground water and drinking water management. Both offices are within the EPA Office of Water. In this report, we collectively refer to the staff and managers from both offices who work on the EFC program as the EFC national program office.

The EFC national program office:

- Provides overall program management.
- Developed the goal and objectives of the EFC program.
- Issued the request for applications that resulted in the selection of 29 EFCs.
- Issued guidance to the regional offices and to the EFCs on the implementation of the EFC program.
- Administers the four national EFCs' cooperative agreements.
- Provides oversight of the national EFCs' work carried out under the cooperative agreement terms and conditions. This includes regularly communicating with the EFCs and conducting regular monitoring activities, such as quarterly progress report evaluations, to ensure that EFCs are accomplishing the outputs and outcomes stated in their work plans.
- Maintains lines of communication to assist EFCs in coordinating and deconflicting efforts among EFCs and state TA providers.

- Provides oversight of the regions' implementation of awards to the multi-environmental media and regional EFCs.

Region 4 implemented the cooperative agreements for the two multi-environmental media and two regional EFCs and provides oversight of the EFCs' work carried out under these agreements. The region's management activities may include regularly communicating with the EFCs and conducting monitoring activities, such as quarterly progress report evaluations, to ensure that EFCs are accomplishing the outputs and outcomes stated in their work plans.

## Scope and Methodology

We conducted this performance audit from October 2024 through January 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We assessed the internal controls necessary to satisfy our audit objective.<sup>2</sup> In particular, we assessed the internal control components—as outlined in the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*—significant to our audit objective. Any internal control deficiencies we found are discussed in this report. Because our audit was limited to the internal control components deemed significant to our audit objective, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

To obtain an understanding of the overall performance of the EFCs that performed work in Region 4, we reviewed relevant laws, regulations, policies, and other documents, including:

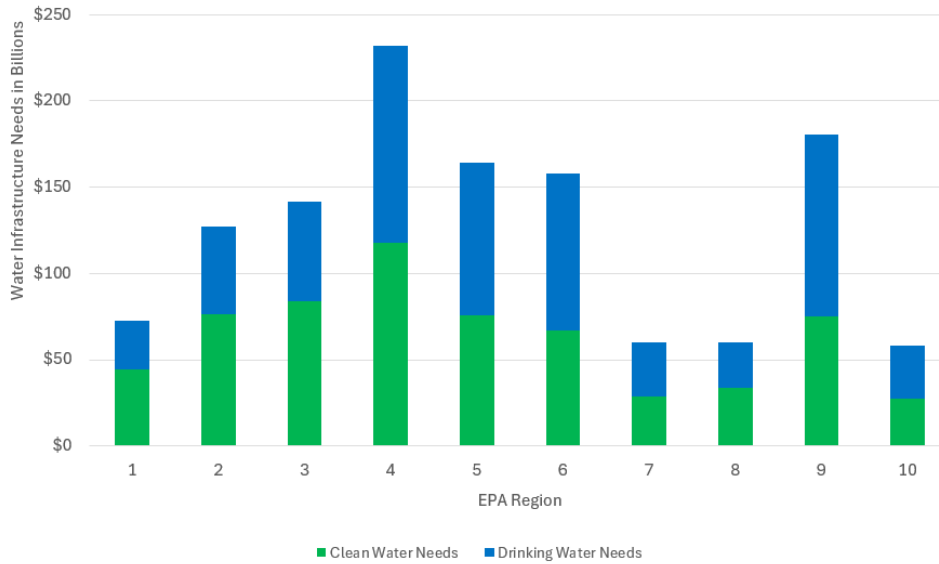
- The Clean Water Act and Safe Drinking Water Act.
- The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" at 2 C.F.R. Part 200.
- EPA Order 5700.7A1, *Environmental Results under EPA Assistance Agreements*.
- EPA memorandum "Implementation of EPA Water Technical Assistance," dated March 24, 2023.
- The EPA's Request for Applications (EPA-I-OW-OWM-22-01).
- The cooperative agreements and work plans for the eight EFCs we examined. The agreements outlined the terms and conditions of funding awarded to the EFCs.

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<sup>2</sup> An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The U.S. Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government*, issued September 10, 2014.

For our audit, we selected Region 4 for analysis based on three factors that assisted us in identifying management risk associated with the EFC program: First, the region’s states together have the largest water infrastructure needs out of the 10 EPA regions, as shown in Figure 3. The region also includes eight states—Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee—the most of any region. Finally, the EPA selected two multi-environmental media EFCs and two regional EFCs, the most in any region, to serve communities in the Region 4 states.

**Figure 3: Drinking water and clean water infrastructure needs by EPA region**



Source: The EPA’s 7<sup>th</sup> *Drinking Water Infrastructure Needs Survey and Assessment and 2022 Clean Watersheds Needs Survey*. (EPA OIG image)

We also examined the four national EFCs. Table 2 shows our selection of eight EFCs out of the 29 total EFCs. The eight EFCs represent more than \$51 million, or 34 percent of the \$150 million in projected EFC funding. As of February 2025, the EPA had awarded nearly \$40 million, or 77 percent, of the \$51 million.

**Table 2: EFCs selected for our audit**

EFC Name	EFC Category	Funding Application Amount (\$)	Funds Awarded as of February 2025 (\$)
<b>EFC managed by the EPA Region 4</b>			
Southeast Rural Community Assistance Project, Inc	Regional	4,250,000	1,700,000
Southeast Sustainability Directors Network	Multi-environmental Media	4,339,200	525,992
University of North Carolina at Chapel Hill*	Multi-environmental Media	3,250,000	315,000
University of North Carolina at Chapel Hill*	Regional	4,375,000	1,750,000
<b>National EFC managed by the EPA Office of Water</b>			
Environmental Policy Innovation Center	National	5,000,000	5,000,000
Rural Community Assistance Partnership	National	9,375,000	9,375,000
U.S. Water Alliance	National	13,170,835	13,170,835
Moonshot Missions	National	7,638,139	7,499,139
<b>Total</b>		<b>51,398,174</b>	<b>39,335,966</b>

\*The University of North Carolina at Chapel Hill was selected to be a multi-environmental media EFC and a regional EFC.

Source: EPA EFC cooperative agreement applications and award documents (EPA OIG table)

To determine the performance of the selected EFCs, we reviewed each EFC’s quarterly performance reports and corresponding EPA evaluations for the four quarters from July 1, 2023, through June 30, 2024. Throughout this report, we refer to these four quarters as the “first year of performance.” We also interviewed staff and managers from the selected EFCs, the EPA Office of Water, and EPA Region 4.

We assessed the output of the documented number of communities assisted by the selected EFCs against the number of communities each EFC committed in its work plan to assist. While the EFCs provided a range of outputs they intended to achieve, such as creating information toolkits and performing social media outreach, the only output common to all selected EFCs was the number of communities provided technical service. As such, we limited our overall assessment to this one common output. In addition, we did not assess progress in achieving outcomes because not enough time had passed for outcomes to be realized.

Our analysis of EFC performance included all three categories of EFCs during the first year of performance. Other analyses are based only on the activities of the regional and national EFCs. These two categories perform TA related to water infrastructure projects over a period of weeks or months that allow communities to access IJA funding. The TA provided by the multi-environmental media EFCs is different in scope and is generally performed over short periods of time, such as in a webinar or

workshop setting. The scope of our audit limited our examination to EFC-provided TA. We did not examine how EFC-provided TA interacted with TA provided through other EPA-funded programs.

To determine the extent to which the selected regional and national EFCs assisted communities in applying for or receiving SRF assistance, we reviewed state intended use plans for all Region 4 states. We also analyzed SRF loan data retrieved from the EPA's Office of Water SRF database, an EPA data system used by the state SRF programs to report required SRF funding data to the EPA.

## Prior Reports

In 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, we identified challenges that prevented communities from accessing CWSRF assistance, such as financial statement audit requirements and community interest in grant funding rather than an SRF loan.

Previously, in EPA OIG Report No. [24-E-0042](#), *New Mexico's Capacity to Effectively Manage Clean Water Infrastructure Funds Faces Challenges*, issued June 5, 2024, we identified challenges that limited community participation in New Mexico's CWSRF program, such as limited awareness of the CWSRF and ability to afford an SRF loan.

Earlier, in EPA OIG Report No. [23-P-0022](#), *The EPA Could Improve its Review of Drinking Water State Revolving Fund Programs to Help States Assist Disadvantaged Communities*, issued July 11, 2023, we identified five barriers that prevented communities from accessing DWSRF loans and loan subsidies. These barriers included the underuse of set-aside funds that could be used by states to provide communities TA.

## Chapter 2

### Most EFCs Exceeded Their Primary Output Target but Faced Challenges

We found that six out of the eight, or 75 percent, of the EFCs that provided TA in EPA Region 4 exceeded their target output for the number of communities receiving TA over the first year of performance under their cooperative agreements. This TA was the primary way that the EFCs expanded access to water infrastructure funding for communities that had not previously benefited from TA or the SRF programs. Although most EFCs exceeded their target output, several factors, related to capacity, community awareness, and the EPA's management and support of the EFC program, adversely affected the performance of the EFCs. By addressing these factors, the EPA could further achieve the EFC program's goal to provide technical assistance that expands community access to water infrastructure funding, which would lead to improvements in protecting human health and the environment.

#### Most EFCs Reviewed Exceeded Their Target Output of Technical Assistance Provided to Communities

We found that six out of eight EFCs that provided TA in Region 4, or 75 percent, exceeded their target output of the number of communities receiving TA over the first year, as shown in Table 3. The other two EFCs—one regional and one national—made progress toward their first-year target output but fell short.

**Table 3: Communities receiving EFC TA from July 1, 2023, through June 30, 2024**

EFC Name	EFC Category	Target # of communities assisted (per year)	# of communities assisted in first year	Output Status
Southeast Sustainability Directors Network	Multi-Environmental Media	20	24	Exceeded target
University of North Carolina at Chapel Hill	Multi-Environmental Media	20	22 <sup>‡</sup>	Exceeded target
University of North Carolina at Chapel Hill	Regional	25	34	Exceeded target
Southeast Rural Community Assistance Partnership	Regional	40 <sup>†</sup>	23	Behind
Moonshot Missions <sup>*</sup>	National	58	36	Behind
Rural Community Assistance Partnership <sup>*</sup>	National	78	81 <sup>§</sup>	Exceeded target
U.S. Water Alliance <sup>*</sup>	National	20	25	Exceeded target
Environmental Policy Innovation Center <sup>*</sup>	National	23 <sup>†</sup>	34	Exceeded target

Source: OIG analysis of EFC data. (EPA OIG Table)

<sup>\*</sup>For the national EFCs, the numbers include work in all regions, not just in Region 4.

<sup>†</sup>Two EFCs provided the number of communities to be assisted over a range of years. For these EFCs, we present the number normalized per year.

<sup>‡</sup>The University of North Carolina at Chapel Hill multi-environmental media EFC also provided technical assistance to nongovernmental entities, which we included in this count.

<sup>§</sup> The dates of the RCAP's first five quarterly reports overlapped with the audit team's definition of "first year of performance." We report the RCAP's fifth quarterly results in this table. There is a two-community difference between the RCAP's fourth and fifth quarterly results.

We estimate that, as of February 2025, the EPA awarded approximately \$8 million to the multi-environmental media, regional, and national EFCs to assist communities in Region 4.<sup>3</sup> These EFCs have assisted 116 such communities. EFC TA resulted in expanded community access to SRF funding that may lead to capital improvements to drinking water and wastewater infrastructure, removal of lead service lines, increased access to safe drinking water, and improvements to protection of human health

<sup>3</sup> To reach this \$8 million estimate, we calculated the total of the four national EFCs' funding proportional to Region 4's surveyed clean water and drinking water needs per capita. This was added to the total funding awarded to the Region 4 multi-environmental media and regional EFCs.

and the environment. Some of the outputs and outcomes achieved include:

- Underserved communities within Region 4 having better access to funding, as 54 out of the 70 communities assisted by regional and national EFCs, or 77 percent, had not been awarded SRF funding within the previous five years.<sup>4</sup>
- Twelve communities within Region 4 applying for a total of nearly \$30 million in SRF funding. Successfully obtaining funding should lead to these communities improving protection of the environment and the health of their residents.
- Seven communities within Region 4, with a total population of more than 160,000, receiving EFC-provided TA to apply for lead service line inventory funding. The identification and replacement of lead service lines will reduce community exposure to lead in drinking water, improving human health outcomes.

## Several Factors Affected EFC Success in Assisting Communities

Several factors limited the potential for more communities to participate in EFC TA. These factors were related to capacity and community awareness challenges and the EPA's management and support of the EFC program. If the EPA were to take steps to address these factors, the EFCs may achieve greater success, over the years remaining in the cooperative agreement performance periods, in providing TA that leads to communities obtaining water infrastructure funding.

### *EFC Capacity Challenges and Implementation Delays*

While only two EFCs did not meet their output goal in the first year of performance, the EFCs reported several challenges that constrained their capacity to provide TA, including difficulties in ramping up TA efforts, shifting priorities, and a need to coordinate among stakeholders.

All EFCs reported challenges in ramping up TA efforts during their first year of performance. This was particularly the case for the Southeast Rural Community Assistance Partnership, or SERCAP, and Moonshot Missions, the two EFCs that missed their target of the number of communities assisted, as shown in Table 3. SERCAP referenced delays in one of its quarterly performance reports:

The timing of the contract award also created some substantive issues for staffing and hires across the eight states and within our partners for this project. Late hires and staff reconfiguration, training and onboarding occupied a significant portion of Quarter 1, and early parts of Quarter 2.

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<sup>4</sup> Of the 116 communities assisted within Region 4, only 70 were assisted by the IJA-funded regional and national EFCs. These are the EFCs with the specific mandate of assisting communities to access IJA funding.

Moonshot Missions's efforts in community outreach and screening did not always result in active TA. Therefore, Moonshot Missions struggled to meet its first-year target of the number of communities provided TA. Moonshot Missions stated that screening communities for TA suitability took time, and it was building capacity to conduct more TA projects.

Some EFCs had to shift their priorities and adjust their community outreach efforts. For example, the Southeast Sustainability Directors Network, or SSDN, reported that its priorities switched from providing direct TA to communities to setting up webinars and training sessions on federal funding opportunities to local government or utility participants across Region 4. The SSDN made this change, in part, to better address the level of community awareness of the EFC program but also because the pace of funding that Region 4 provided from annual appropriations was less than the SSDN expected. Specifically, the SSDN developed and Region 4 approved a work plan for over \$4.3 million in TA services over 5 years. However, over the first 21 months, or 35 percent of the performance period, Region 4 had awarded only \$525,992, or 12 percent, to the SSDN, and the Agency had not committed to fully fund the \$4.3 million award.

Finally, some EFCs reported that there were challenges in coordinating and deconflicting TA efforts with various stakeholders, such as the state SRF programs, the EPA, and other EFCs. For example, the U.S. Water Alliance reported that there was variability in how EPA regions and states coordinated with EFCs, which meant that the alliance had to put effort into building relationships with the regions and states.

### ***Challenges Related to Community Awareness of and Participation in EFC TA***

We identified several challenges that limited community awareness of and participation in EFC-provided TA, including the voluntary nature of TA participation, competition with other TA providers, competing priorities for communities, and the time and complexity involved with applying for SRF funding.

Participation in EFC-provided TA is voluntary, which means that communities could decline or discontinue EFC-provided TA at will. For example, we found that 40 percent of the communities that the regional EFC at the University of North Carolina at Chapel Hill, or UNC, engaged with chose to decline or discontinue assistance.

Not all communities needed EFC-provided TA because they had access to other TA providers, some of which may be funded by set-asides under the federally funded DWSRF program. By statute, states are allowed to set aside up to 31 percent of the DWSRF funds the EPA awards to states. The states could use these set-aside funds for TA and other purposes. For example, set-aside usage in Region 4 states in 2022 varied from a low of 6 percent by Alabama to 25 percent by Georgia. Given the large increase in federal funding provided by the IJIA, over \$30 billion to be distributed to the state DWSRF programs, the states could be providing significant TA to their communities through set-aside funds. Assessing the extent of this potential overlap of state and EFC-provided TA was outside the scope of our audit.

Some EFCs reported that communities that declined TA from EFCs had competing priorities, such as other infrastructure projects or recovering from a disaster, which took precedence over water infrastructure improvements. Community staff turnover resulted in changing priorities and communities discontinuing their involvement with EFC TA. In addition, community leaders and citizens reported to the EFCs that they were more interested in obtaining grant funding than taking on SRF loans to avoid incurring debt or imposing higher water rates that might come with SRF loans. This factor limited the success of the national and regional EFCs, whose TA was focused on getting communities access to SRF loans.

In addition, the EFCs reported that some communities cited less favorable experience with their state's SRF programs, including the time commitment and complexity of the program's application process, as a factor in not accepting EFC TA. Communities cited potential costs and limited resources as behind their disinterest in EFC TA or future SRF funding. Although EFCs could save a community the cost of obtaining engineering and planning support, communities were responsible for other SRF loan costs, including the cost to carry out a financial audit. In 2024, these annual single audits were required for recipients spending \$1 million or more in federal awards.

Some community factors were outside the control of the EFCs. However, the factors affected the EFCs' ability to meet the outputs and outcomes promised in EPA-approved work plans.

### ***The EPA's Role in Supporting the EFC Program***

The EPA supported communities and TA provider efforts, including the EFCs, through the online Water TA request web form. This web form allowed communities to directly request TA through the EPA. According to the EPA, its contractor reviewed each submitted request and then referred the request to TA providers based on the nature of the request, capabilities, and authorities. The EPA stated that the EFC program was one of several TA programs that received Water TA referrals through this web form. As of January 2025, the EPA had referred 365 requests for TA to the EFCs, as shown in Table 4. Of these requests, 50 were from Region 4 communities. The EPA provided 56, or 15 percent, of all TA referrals sent to the EFCs, to the EFC Rural Community Assistance Partnership. These referrals helped this national EFC provide TA to 81 communities in its first year of performance, exceeding its annual TA target of 78 communities.

**Table 4: Water TA requests referred to the EFCs nationwide by the EPA, as of January 2025**

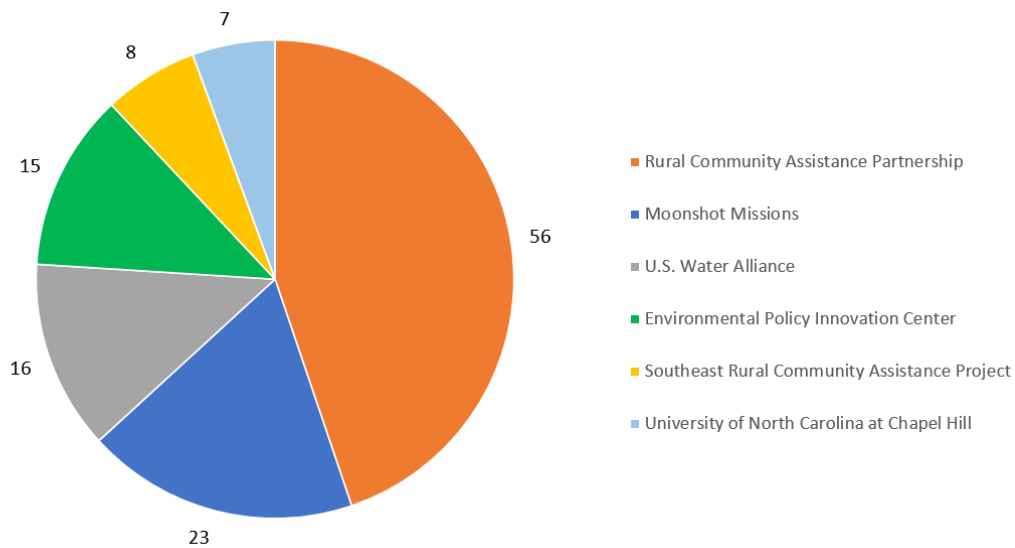
EFC name	Type of EFC	Number of referrals received	Percentage of referrals (%)
University Enterprises Inc.	Multi-environmental Media (Region 9)	1	0.3
Syracuse University	Multi-environmental Media (Region 2)	7	1.9
University of North Carolina at Chapel Hill	Regional (Region 4) Multi-environmental Media (Region 4)	7	1.9
Southeast Rural Community Assistance Partnership	Regional (Region 4)	8	2.2
University of Maine System	Regional (Region 1) Multi-environmental Media (Region 1)	10	2.7
Environmental Policy Innovation Center	National	15	4.1
Wichita State University	Regional (Region 7) Multi-environmental Media (Region 7)	15	4.1
U.S. Water Alliance	National	16	4.4
Delta Institute	Regional (Region 5)	20	5.5
Moonshot Missions	National	23	6.3
University of Maryland	Regional (Region 3) Multi-environmental Media (Region 3)	26	7.1
National Rural Water Association	Regional (Region 8) Multi-environmental Media (Region 8)	37	10.1
WSOS Community Action Commission Inc.	Regional (Region 5)	39	10.7
University of New Mexico	Regional (Region 6) Multi-environmental Media (Region 6)	42	11.5
Rural Community Assistance Corporation	Regional (Regions 9 and 10) Multi-environmental Media (Region 10)	43	11.8
Rural Community Assistance Partnership	National	56	15.3
<b>Total</b>		<b>365</b>	<b>100</b>

Source: EPA Water TA data. (EPA OIG table)

Moonshot Missions, a national EFC, reported that the number of communities requesting TA was lower than expected. In addition, Moonshot Missions reported that most of the TA referrals it received were from non-disadvantaged communities, which were not the intended beneficiaries of this funding.

The SSDN, one of the EFCs working in Region 4, did not receive any referrals, and the other Region 4 EFCs, the UNC and SERCAP, received fewer than ten referrals each, as shown in Figure 4.

**Figure 4: Number of Water TA requests referred to the EFCs working in Region 4, as of January 2025**



Source: EPA water TA request web form data. (EPA OIG image)

\*EPA's web form data did not differentiate between the UNC multi-environmental media and regional EFCs.

In addition, the EPA stated that several TA form submissions did not provide sufficient detail to be referred to any TA provider or described needs that were not relevant to the SRF program or other water infrastructure funding. Further efforts by the EPA to increase the visibility of the Water TA request web form may in turn increase the volume of TA requests that can be referred to TA providers, including the EFCs. In addition, a higher volume of incoming referrals to the EFCs may assist those EFCs that fell short of their first-year target of the number of communities assisted—Moonshot Missions and SERCAP—in reaching their targets in the years remaining in their respective cooperative agreements' performance periods.

Although the EPA was able to expand the scope of the EFC program to provide more TA to communities, there were factors that affected EFC performance and presented challenges to the achievement of the EFC program goal. In this section, we discussed how the water TA web form provided EFCs opportunities to assist communities. In subsequent chapters, we discuss the EPA Office of Water's design and implementation of the EFC program and Region 4's management of its EFC cooperative agreements.

## **EFC Technical Assistance Hampered by Challenges**

Although EFCs, over the first year of the performance period for their cooperative agreements, mostly exceeded their target output of the number of communities assisted and demonstrated some success in assisting communities in gaining the capacity through TA to apply for and access water infrastructure funding, the impact of the EFCs' work was hampered due to challenges related to EFC operation, community awareness, and the EPA's support of the EFC program. The impact of the EFCs could be greater and the goal of the EFC program—to expand access to water infrastructure funding that would lead to improvements in protecting human health and the environment—could be better obtained if the EPA were to address the various factors that limit community participation in the EFC program.

## **Recommendation**

We recommend that the assistant administrator for the Office of Water:

1. Assess and implement solutions that address challenges limiting community access to Environmental Finance Center-provided technical assistance, specifically challenges related to capacity, community awareness, and the EPA's management and support of the program. We make this recommendation to increase the number of communities receiving technical assistance that previously had not accessed water infrastructure technical assistance and federal funding programs such as the Drinking Water and Clean Water State Revolving Fund programs.

## **Agency Response and OIG Assessment**

Appendix A includes the Agency's response to our draft report. The Office of Water agreed with Recommendation 1 and proposed a corrective action with an estimated completion date. The proposed corrective action and completion date meet the intent of the recommendation. We consider this recommendation resolved pending the completion of the corrective action.

# Chapter 3

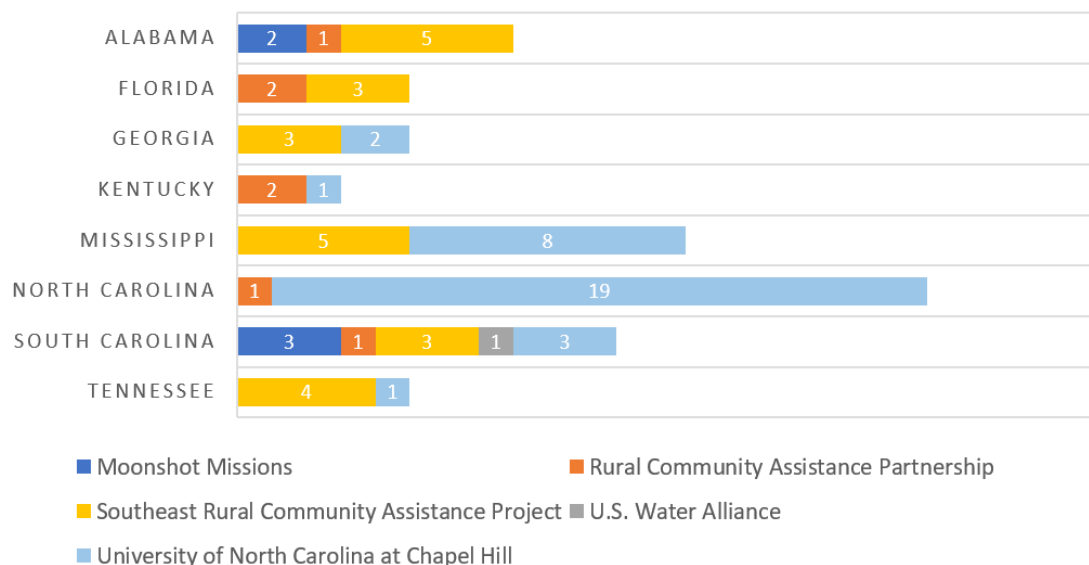
## Technical Assistance Distribution Did Not Align with Program Priority

We found that the TA provided by the regional and national EFCs during their first year of performance was distributed among the eight states in EPA Region 4 in a manner not aligned with one of the EPA’s stated priorities for the EFC program—to increase access to funding across geographically diverse communities. While the program in general increased access, the misaligned distribution of EFC-provided TA occurred because the EPA did not specify how the regional EFCs should achieve geographic coverage across their region and how the national EFCs should identify and fill TA gaps in each EPA region. As a result, only one out of the eight EFC work plans we reviewed specified how TA would be distributed. The misaligned distribution may have prevented some Region 4 communities from accessing the TA that could have helped them apply for water infrastructure funding.

### TA Provided to Communities in the EPA Region 4 States Varied

While we found that EFCs increased access to funding, as described in Chapter 2, we also found that the amount of TA provided by the regional and national EFCs during their first year of performance varied across the eight states in the region, as shown in Figure 5.

**Figure 5: Number of communities assisted by regional and national EFCs, by state in EPA Region 4,\* as documented in the EFCs’ quarterly reports for the first year of their cooperative agreements**

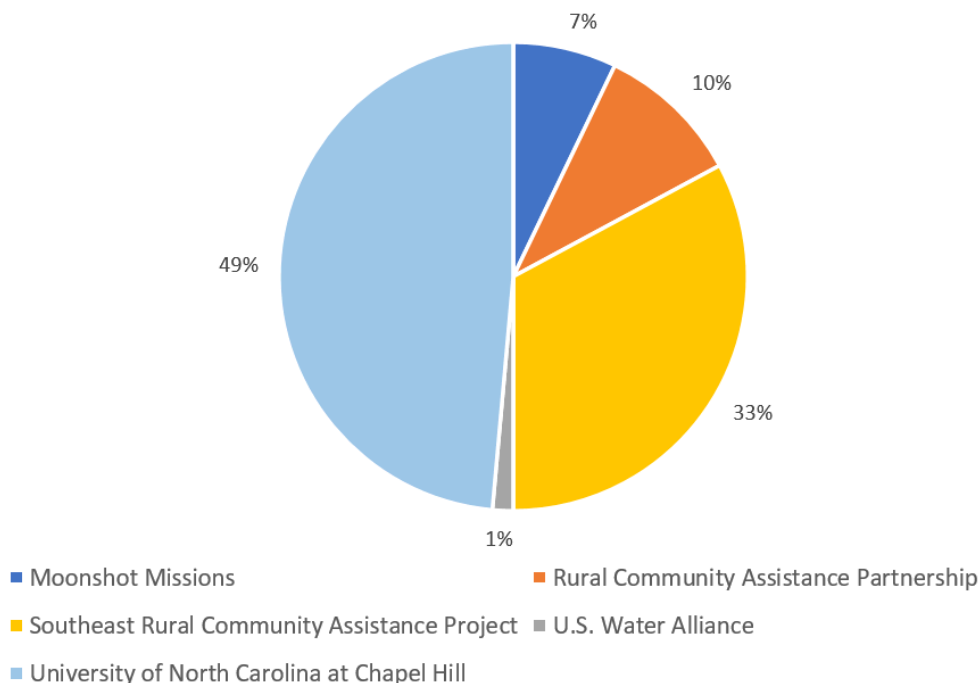


\*The Environmental Policy Innovation Center EFC initiated assistance with three communities in Region 4, but these communities were transferred to another EFC or chose to discontinue assistance.

Source: EFC quarterly report data (EPA OIG Figure)

Nearly 63 percent of the communities assisted were in three states—Mississippi, North Carolina, and South Carolina. Regional EFC the UNC provided nearly half of all TA in Region 4 during the first year of the performance period, as shown in Figure 6.

**Figure 6: Percentages of EPA Region 4 communities assisted by regional and national EFCs\* over the first year of the cooperative agreements**



\*The Environmental Policy Innovation Center EFC initiated assistance with three communities in Region 4, but these communities were transferred to another EFC or chose to discontinue assistance.

Source: EPA OIG analysis of EFC performance report data. (EPA OIG image)

The UNC reported that it relied on established community networks and partnerships to achieve its first-year performance targets. The UNC developed networks and partnerships through its experience as an EFC prior to the IJA expansion. SERCAP, the other regional EFC, provided nearly a third of the TA in Region 4 over its first year of performance, as shown in Figure 6. Although SERCAP committed in its work plan that it would provide TA to approximately five communities in each Region 4 state per year for a total of 40 communities, it provided TA to only 23 communities distributed across six states, as shown in Figure 5.

While the four national EFCs provided TA to 176 communities across the United States, they provided TA to only 13 communities in Region 4, or 7 percent of their total, despite Region 4 states representing 18.5 percent of the national surveyed clean and drinking water infrastructure needs. Because the combined TA target of the national EFCs was 179 communities per year, we estimated that the national EFCs could have provided TA for up to 20 more communities in Region 4 if the national EFCs had provided a proportional amount of TA in each region based on surveyed needs. That additional TA could have been targeted to fill in gaps in the geographic distribution of TA provided by the two regional EFCs.

Although EFCs reported difficulties in communicating with state governments to coordinate and prioritize TA efforts, we identified that EFCs took action to change the distribution of TA they provided across Region 4. For example, the UNC conducted new outreach efforts to provide more TA in Kentucky and Tennessee. In addition, SERCAP provided Region 4 states with a list of 20 communities in each state that it would contact to offer TA services during its second year of performance.

## **The EPA Prioritized Geographic Coverage of Technical Assistance**

In its memorandum dated March 24, 2023, *Implementation of EPA Water Technical Assistance*, the EPA stated its goals for water TA programs, like the EFC program, as “more communities with applications for federal funding, quality water infrastructure, and reliable water services.” To accomplish these goals, the EPA presented EFC applicants with several priorities for the EFC program, including filling gaps to ensure that the provided TA reaches geographically diverse communities. In its request for applications, the EPA stated:

Regional EFCs will provide eligible services either across their designated EPA [r]egion or within a specific geographical regional or local area... National EFC[s] will also serve to address any gaps that may exist in the [regional] EFCs to ensure that these services reach geographically diverse communities, of varying sizes, and serve urban, suburban, and rural populations.

The terms and conditions in the EFCs’ cooperative agreements stipulated that the EFCs include in their performance reports a description of the geographic distribution of the TA provided.

## **The EPA Did Not Specify How EFCs Could Achieve Geographic Coverage**

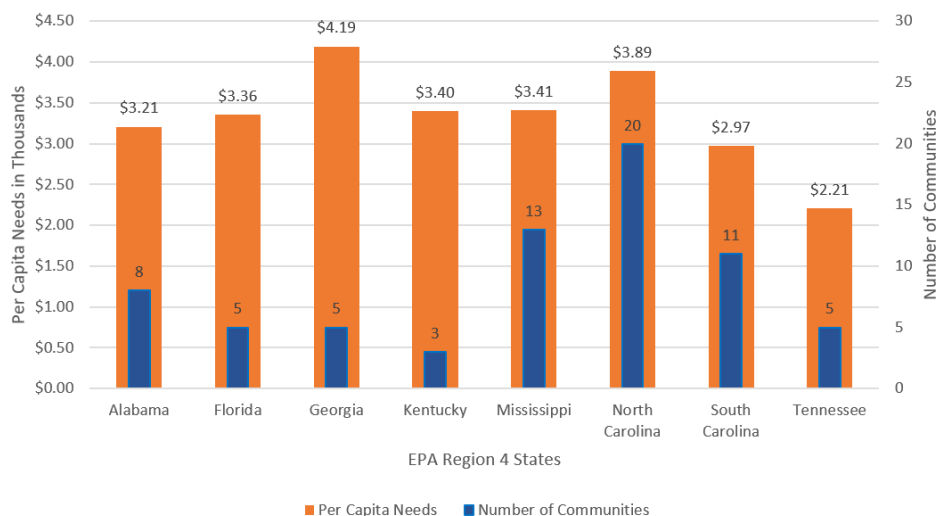
Despite establishing geographic distribution of TA as a priority, the EPA did not provide guidance for how the regional EFCs could achieve geographic coverage of their assigned regions and how the national EFCs could identify and fill TA gaps in each region. As a result, only one of the eight EFC work plans we reviewed specified how TA would be distributed across the Region 4 states to meet the coverage priority.

For example, the EPA did not advise EFCs on the types of information, such as population data or the results of the national water infrastructure needs surveys, the EFCs could use to determine how to proportionally distribute TA. In addition, the EPA’s memorandum dated March 24, 2023, did not provide the regions or the EFCs information on how the EFCs could achieve the geographic distribution of TA. Finally, we found little information in the EPA’s EFC training materials related to geographic coverage or the national water infrastructure needs surveys. This meant that the EFCs could fulfill their target outputs without considering geographic distribution.

## Communities in Some States Had Limited Access to EFC Technical Assistance

The EPA’s lack of specific program guidance affected how EFCs distributed TA in Region 4, limiting access for communities in some Region 4 states to TA that could help them apply for water infrastructure funding. Notably, as shown in Figure 7, five of the eight states received a relatively small proportion of TA when compared to the states’ surveyed water infrastructure needs per capita. The two regional EFCs, the UNC and SERCAP, which provided over 81 percent of TA in the region, and the national EFCs, which provided the remaining nearly 19 percent, all contributed to the distribution of TA in the region that did not align with the EPA’s priority to increase access to funding across geographically diverse communities.

**Figure 7: Per capita water infrastructure needs compared to the number of communities in EPA Region 4 provided technical assistance by regional and national EFCs, from July 1, 2023, through June 30, 2024**



Source: OIG analysis of EPA data. (EPA OIG image)

Communities without the resources and staffing to independently apply for water infrastructure funding may continue to defer needed water infrastructure improvements that would increase access to safe drinking water and clean waterways and improve human health outcomes. The EPA could further address the misaligned distribution of TA across Region 4 states, and the EFCs should continue to coordinate with states to prioritize TA efforts.

## Recommendation

We recommend that the assistant administrator for the Office of Water:

2. Work with the Environmental Finance Centers to improve the geographic distribution of technical assistance provided in EPA Region 4. Based on input provided by management and staff, efforts could include:
  - a. The Office of Water providing guidance to the Environmental Finance Centers on geographic distribution of technical assistance.
  - b. As part of its approved work plan, each regional Environmental Finance Center serving EPA Region 4 meeting annually with each state in the region, along with the EPA project officer, to review the states' priorities and set targets that are consistent with those priorities.
  - c. The Office of Water providing regional and national Environmental Finance Centers and their assigned project officers training on the consideration of state-by-state infrastructure needs, such as those identified in the national water infrastructure needs surveys.
  - d. As part of its approved work plan, each regional Environmental Finance Center serving EPA Region 4 identifying pathways for building better coalitions with the region's states. This could include the center's personnel attending national or regional meetings, presenting success stories and challenges, and understanding how the center can better meet the needs of the region's communities.

## Agency Response and OIG Assessment

Appendix A includes the Agency's response to our draft report. The Office of Water agreed with Recommendation 2 and proposed a corrective action with an estimated completion date. The proposed corrective action and completion date meet the intent of the recommendation. We consider this recommendation resolved pending the completion of the corrective action.

# Chapter 4

## Management Issues Within EPA Region 4's EFC Program

We found two issues with how EPA Region 4 managed four EFC cooperative agreements: It did not sufficiently document its evaluations of EFC quarterly reports and incorrectly obligated EFC funding. These issues were partly caused by the region's decisions to reassign the administrative project officer and to divide project officer administrative and technical responsibilities between the region's Water and Mission Support divisions, without ensuring that the decisions would not impair the region's ability to fulfill its oversight responsibilities. Such actions adversely affected communication to the EPA about EFC progress and reduced the EPA's awareness of problems affecting the performance of the EFCs.

### Issues Within EPA Region 4's Management of EFCs

We found two issues with how Region 4 managed the EFCs: The region did not sufficiently document its evaluations of EFC quarterly performance reports and incorrectly obligated EFC funding.

#### *Insufficient Documentation of EFC Quarterly Report Evaluations*

Region 4 did not sufficiently document its evaluations of EFC quarterly performance reports for the four EFCs it managed—two regional and two multi-environmental media EFCs. We found that the region's project officers provided comments within the EFCs' quarterly performance reports. Regional project officers stated that concerns regarding the EFC quarterly reports and documented comments were discussed at regular monthly meetings with the EFC. However, we did not identify documentation that showed how specific issues were addressed. For example, in its second quarterly report, SERCAP discussed revising the reporting and deliverable timetable. However, we did not identify documented communication between SERCAP and the region that showed resolution of the concern.

By contrast, the EPA Office of Water used a standardized, program-specific performance review checklist to document its evaluations of the quarterly performance reports submitted by the national EFCs. This checklist prompted the project officers to review and assess the elements of the reports that were required by the cooperative agreements. Although the EPA Office of Water offered this checklist as a tool to the regions, it did not require the regions to use the checklist when reviewing the performance reports submitted to the regions by the regional and multi-environmental media EFCs. Region 4 did not adopt the checklist and did not require its project officers to use similar tools to guide and document their evaluations of EFC performance reports.

#### *Southeast Sustainability Directors Network Funding Challenges*

In September 2024, Region 4 incorrectly obligated \$50,000 of drinking water funding to the UNC for its multi-environmental media EFC. In December 2024, regional staff told the audit team that this funding was to be evenly split between the UNC and the SSDN, and they were attempting to resolve the error. The region told us that it was unable to resolve the obligation error until June 2025, partly because of

policy realignments and new funding approval procedures. However, the obligation error exacerbated overall funding challenges faced by the SSDN, preventing its staff from conducting community outreach and performing TA. Although the SSDN originally applied for \$4.3 million in EFC funding and the EPA approved a work plan for that amount of funding, as of February 2025, the region had awarded only \$525,992, or 12 percent, over the first 21 months of its award, which represented 35 percent of the five-year grant performance period.

## **EPA Region 4's Staffing Decisions Resulted in Insufficient Oversight of its Assigned EFCs**

Region 4's staffing decisions resulted in insufficient oversight of the EFCs. These staffing decisions included the region's reassignment of administrative project officer responsibilities and the division of project officer administrative and technical responsibilities. The region made these decisions without ensuring that the decisions would not impair the fulfillment of its oversight responsibilities.

### ***EPA Region 4 Reassigned Project Officers of EFC Cooperative Agreements***

Region 4 originally assigned one project officer to administratively manage the four EFC cooperative agreements. This project officer had experience with previous rounds of EFC funding. However, this project officer was released from EFC oversight duties to undertake a detail with another program. The region temporarily assigned two other project officers to administratively manage the EFCs during the original project officer's absence. Although the temporary project officers had experience with other EPA funding programs, they were unfamiliar with the EFC program. Also, the EFC duties were in addition to their primary assignments. The information provided to these project officers, while sufficient in providing basic information on the EFC cooperative agreements, did not fully inform the project officers about the purpose of the EFC program, specific funding details, and expectations for the management of the EFC agreements. As of February 2025, the original project officer had returned to manage the four EFC cooperative agreements.

### ***EPA Region 4 Split Responsibilities of Project Officers to Manage Limited Staffing Resources***

Region 4 divided the responsibilities of the project officer into two roles, an administrative project officer assigned by the region's Mission Support Division and technical project officers provided by the region's Water Division. The administrative project officer managed the funding applications, awards, and monitoring of EFC cooperative agreements. An administrative project officer was directly assigned to each EFC and that assignment was recorded in the cooperative agreement documentation. Technical project officers assisted the administrative project officer by providing technical expertise related to drinking water and wastewater TA. The region stated that this separation of duties was made to better allocate limited staff, as it was easier to have administrative project officers manage a program's administrative needs and the technical project officer provide information on specific environmental programs or environmental media. The decision by the EPA to fund two multi-environmental media and two regional EFCs in Region 4 imposed large administrative and technical workloads and substantial

involvement requirements on the region. However, the region's Water Division did not officially assign staff to act as technical project officers to review EFC performance reports, impacting the consistency of technical reviews of the EFCs.

## **EPA Region 4's Management Decisions Hampered Oversight of the EFC Program**

Region 4's management decisions affected the oversight of the EFC program, including the communication of information from the EFCs to the EPA on EFC progress and challenges. Challenges facing EFCs were not well documented by the region, which reduced the EPA's awareness of problems that may have affected the performance of the EFC program. Although the region resolved its funding mistake, the funding delay affected the SSDN's ability to conduct additional outreach and TA for communities on drinking water topics designed to assist communities in building capacity to access needed federal funding for planning, engineering, and infrastructure projects. One EFC reported difficulties in conveying information about EFC progress and its questions and concerns to the EPA. Because the region did not formally notify another EFC of the change in project officer, that EFC would not necessarily have known whom to contact in the region regarding issues related to its cooperative agreement.

Region 4 could improve its documentation of EFC quarterly performance report reviews and its management of the EFC program. Documentation of identified issues ensures that other staff can review and understand if issues were identified and resolved and can help the EPA fulfill its responsibilities as stated in EFC cooperative agreements. Improvements to the region's management and oversight of the EFCs will help the EFCs provide effective TA and expand community access to SRF funding.

## **Recommendations**

We recommend that the regional administrator for EPA Region 4:

3. Adopt documentation standards, like the EPA Office of Water's quarterly performance review checklist, to better evaluate and document progress made under the cooperative agreements by the entities funded as Environmental Finance Centers. These standards will allow the region and the Office of Water to better understand the accomplishments made by the Environmental Finance Center program.
4. Implement a plan to better manage EPA Region 4's four Environmental Finance Center cooperative agreements and provide continuity of operations. This plan could include consolidation of the region's management of the cooperative agreements into its Water Division. Improved management by the region should promote improved performance by the Environmental Finance Centers.

## **Agency Response and OIG Assessment**

Appendix A includes the Agency's response to our draft report. The regional administrator for Region 4 agreed with Recommendations 3 and 4 and proposed corrective actions with estimated completion dates. The proposed corrective actions and completion dates meet the intent of Recommendations 3 and 4. We consider these recommendations resolved pending the completion of the corrective actions.

## Status of Recommendations

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date
1	17	Assess and implement solutions that address challenges limiting community access to Environmental Finance Center-provided technical assistance, specifically challenges related to capacity, community awareness, and the EPA's management and support of the program. We make this recommendation to increase the number of communities receiving technical assistance that previously had not accessed water infrastructure technical assistance and federal funding programs such as the Drinking Water and Clean Water State Revolving Fund programs.	R	Assistant Administrator for Water	6/30/26
2	22	<p>Work with the Environmental Finance Centers to improve the geographic distribution of technical assistance provided in EPA Region 4. Based on input provided by management and staff, efforts could include:</p> <p>a. The Office of Water providing guidance to the Environmental Finance Centers on geographic distribution of technical assistance.</p> <p>b. As part of its approved work plan, each regional Environmental Finance Center serving EPA Region 4 meeting annually with each state in the region, along with the EPA project officer, to review the states' priorities and set targets that are consistent with those priorities.</p> <p>c. The Office of Water providing regional and national Environmental Finance Centers and their assigned project officers training on the consideration of state-by-state infrastructure needs, such as those identified in the national water infrastructure needs surveys.</p> <p>d. As part of its approved work plan, each regional Environmental Finance Center serving EPA Region 4 identifying pathways for building better coalitions with the region's states. This could include the center's personnel attending national or regional meetings, presenting success stories and challenges, and understanding how the center can better meet the needs of the region's communities.</p>	R	Assistant Administrator for Water	6/30/26
3	25	Adopt documentation standards, like the EPA Office of Water's quarterly performance review checklist, to better evaluate and document progress made under the cooperative agreements by the entities funded as Environmental Finance Centers. These standards will allow the region and the Office of Water to better understand the accomplishments made by the Environmental Finance Center program.	R	Regional Administrator for Region 4	9/30/26
4	25	Implement a plan to better manage EPA Region 4's four Environmental Finance Center cooperative agreements and provide continuity of operations. This plan could include consolidation of the region's management of the cooperative agreements into its Water Division. Improved management by the region should promote improved performance by the Environmental Finance Centers.	R	Regional Administrator for Region 4	6/30/26

\* 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*

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### ASSISTANT ADMINISTRATOR FOR WATER

WASHINGTON, D.C. 20460

February 9, 2026

#### **MEMORANDUM**

**SUBJECT:** Response to the Office of Inspector General Draft Report No. OA-FY25-0015, *Audit of Environmental Finance Centers Providing Water Infrastructure Technical Assistance in EPA Region 4*, dated January 5, 2026

**FROM:** Jessica L. Kramer      Jessica Kramer      Digitally signed by Jessica Kramer  
Date: 2026.02.09  
15:26:56 -05'00'

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

Thank you for the opportunity to respond to the issues and recommendations in the subject Office of Inspector General draft report. This response has been coordinated with and agreed upon by the Office of Water and the EPA Region 4 and includes responses from both offices.

The following is a summary of the U.S. Environmental Protection Agency's overall position and includes a summary of how the EPA Office of Water and EPA Region 4 are currently working to address them. It also includes a response on each of the report recommendations. The Office of Water and Region 4 agree with the recommendations in the draft report. For each recommendation, we have provided high-level intended corrective actions and estimated completion dates. For your consideration, we have also attached Technical Comments to supplement this response.

#### **AGENCY'S OVERALL POSITION**

The Office of Water and Region 4 agree with the substance of the recommendations of the OIG draft report. The EPA appreciates the work of the OIG to review the multi-media and IJA-funded Environmental Finance Centers and our direct engagement and coordination with both the National EFC

providers and the Region 4 EFC providers. The oversight of the EPA's EFCs and providing meaningful and direct Water Technical Assistance is a top priority for the agency.

Eight EFCs provide technical assistance in EPA Region 4 under either annual or Infrastructure Investment and Jobs Act of 2021 appropriations through cooperative agreements, working with failing water and wastewater systems to achieve compliance and expand access to water infrastructure funding and support communities. Some of these EFCs have been operating for many years, while others have only been in operation for one or two years as of the time this audit was conducted. The EPA's expectation is that all EFCs provide targeted and effective Technical Assistance in line with the EPA's stated priorities for the EFC program: to increase access to federal funding for water and wastewater infrastructure.

The EPA has one significant comment based on the draft report and recommendations. The OIG indicates that "TA provided by the regional and national EFCs during their first year of performance was distributed among the eight states in EPA Region 4 in a manner not aligned with one of the EPA's stated priorities for the EFC program—to increase access to funding across geographically diverse communities." The EPA notes that the OIG did not consider the many other Technical Assistance options that are available to systems in those states, including the Get the Lead Out (GLO) initiative, Tackling Emerging Contaminants (TEC) TA, Closing America's Wastewater Access Gap Initiative (CAWAG), WaterTA Engineering Support, Rural Small Tribal (RST) TA, Training and Technical Assistance (T&TA) Grant Program, and other programs such as those provided by the state.

**AGENCY RESPONSE TO REPORT RECOMMENDATIONS / CORRECTIVE ACTION(S)**

Recommendation	Office	High-Level Intended Corrective Action(s)	Estimated Completion Date
<p>1. Assess and implement solutions that address challenges limiting community access to Environmental Finance Center-provided technical assistance, specifically challenges related to capacity, community awareness, and the EPA’s management and support of the program. We make this recommendation to increase the number of communities receiving technical assistance which have not previously accessed water infrastructure technical assistance and federal funding programs, such as the Drinking Water and Clean Water State Revolving Fund Programs.</p>	<p>EPA Office of Water</p>	<p>The EPA concurs with this recommendation and is already taking steps to increase the number of communities receiving technical assistance which have not previously accessed water TA and federal funding programs, both in Region 4 and nationally. This has been done through:</p> <ol style="list-style-type: none"> <li>1. Outreach and engagement to promote the Water TA Request form.</li> <li>2. Ongoing Project Officer meetings with national and regional EFCs to provide guidance and document success stories.</li> <li>3. National EFC convening to facilitate sharing best practices and innovative ideas for finding communities and providing TA.</li> </ol> <p>The increases in numbers will be reflected in the EFC reporting metrics and internal tracking maintained by the EPA Office of Water.</p>	<p>June 30, 2026</p>

Recommendation	Office	High-Level Intended Corrective Action(s)	Estimated Completion Date
<p>2. Work with the Environmental Finance Centers to improve the geographic distribution of technical assistance provided in EPA Region 4.</p>	<p>EPA Office of Water</p>	<p>The EPA concurs with this recommendation and will seek to address it in several ways, which might include:</p> <ol style="list-style-type: none"> <li>1. Ask each Region 4 Project Officer to discuss with their regional EFC and include, as requested, in their Quarterly Performance Reports efforts they have made to improve the geographic distribution of TA in Region 4.</li> <li>2. OW has conferred with Region 4 and they will host a meeting with each state where each EFC can present on their capabilities and hear from the state about their priorities for WaterTA.</li> <li>3. The EPA will provide information to the Region 4 EFCs on the outstanding needs found in the most recent Clean Watersheds Needs Survey (CWNS) and Drinking Water Infrastructure Needs Survey (DWINS) in Region 4 states.</li> </ol>	<p>June 30, 2026</p>

Recommendation	Office	High-Level Intended Corrective Action(s)	Estimated Completion Date
3. Adopt documentation standards, like the EPA Office of Water’s quarterly performance review checklist, to better evaluate and document progress made under the cooperative agreements by the entities funded as Environmental Finance Centers. This will allow the region and the Office of Water to better understand the accomplishments made by the Environmental Finance Center program.	Regional Administrator for Region 4	Region 4 concurs with this recommendation and will adopt documentation standards for evaluating and documenting progress made under assistance agreements (specifically cooperative agreements).	September 30, 2026
4. Implement a plan to better manage its four Environmental Finance Center cooperative agreements and provide continuity of operations. This plan could include consolidation of EPA Region 4’s management of the cooperative agreements into the region’s Water Division. Improved management by the region should promote improved performance by the Environmental Finance Centers	Regional Administrator for Region 4	Region 4 concurs with this recommendation and plans to consolidate the management of the four EFCs in Region 4.	June 30, 2026

**CONTACT INFORMATION**

If you have any questions regarding this response or the technical comments, please have your staff contact OW’s Audit Follow-Up Coordinator, Carla Hagerman, at [Hagerman.Carla@epa.gov](mailto:Hagerman.Carla@epa.gov).

**ATTACHMENT**

1. Technical Comments

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