

Infrastructure Investment and Jobs Act Progress Report—Year Four

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To find out more about the U.S. Environmental Protection Agency
Office of Inspector General activities related to the
Infrastructure Investment and Jobs Act, visit our [website](#).

Abbreviations

EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
PFAS	Per- and polyfluoroalkyl substances
Pub. L.	Public Law
SRF	State Revolving Fund

Cover Image

Top: View from the East End of St. Croix, U.S. Virgin Islands, outside of Christiansted, facing northeast towards Coakley Bay, with a drinking water construction grant-funded community public water system replacement project in the foreground. (EPA OIG image)

Middle: EPA Deputy Inspector General Performing the Duties of the Inspector General Nicole N. Murley testifying before Congress on February 24, 2026, about the EPA's IIJA water infrastructure programs. (EPA OIG image)

Bottom: Photo of a water treatment plant. (EPA image)

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Foreword

The Infrastructure Investment and Jobs Act, or IIJA, provided the U.S. Environmental Protection Agency with over \$60 billion in appropriations for Agency programs, including the Clean Water and Drinking Water State Revolving Fund programs, the Superfund program, geographic programs, and more. Since the IIJA was enacted in 2021, the EPA Office of Inspector General has been conducting timely and relevant oversight to ensure that IIJA funds are used effectively. Our fourth annual IIJA progress report covers February 1, 2025, through January 31, 2026, and provides an update on our oversight of the EPA's use of IIJA funds.

During the period covered in this report, the OIG issued seven audit reports, six evaluation reports, and two audit follow-up reports related to the Agency's IIJA activities. All these reports focused on protecting taxpayer dollars spent under the IIJA and promoting economy, efficiency, and effectiveness in IIJA programs and operations.


As the EPA's IIJA programs have matured, our oversight has similarly evolved. In addition to examining initial implementation, we have increasingly focused on how the Agency is managing and overseeing IIJA funds that have already been awarded. For example, recent work has highlighted weaknesses in post-award monitoring that could put IIJA investments at risk if not addressed.

I had the opportunity to highlight some of this work when I [testified](#) before Congress about the EPA's water infrastructure programs, including those funded by the IIJA, and some longstanding internal control issues that are now affecting the EPA's IIJA programs. For example, the OIG has repeatedly flagged challenges related to guidance gaps, data quality, and the EPA's oversight of recipients of federal funding. While these issues persist in the EPA's IIJA operations, billions of dollars in IIJA funds remain unobligated, which leaves necessary infrastructure projects unfunded.

At the OIG, we rely on whistleblower complaints to help identify fraud, waste, and abuse. To this end, we have continued our outreach to Agency staff and other stakeholders who manage, receive, or oversee IIJA funds. Our auditors, evaluators, and investigators have held dozens of IIJA fraud awareness briefings, working groups, and discussions with grant recipients, law enforcement partners, state environmental agencies, and EPA program offices. Through these engagements, attended by thousands of participants, we raised awareness about fraud prevention and mitigation strategies and highlighted the OIG Hotline as a means for reporting suspected wrongdoing or mismanagement.

In addition to whistleblower complaints, the OIG uses technology and data analytics to develop proactive oversight capabilities that enable real-time monitoring to identify fraud, waste, and abuse before it escalates.

We will continue to provide robust, transparent oversight to help ensure that the EPA uses its IIJA funds efficiently and effectively.



Nicole N. Murley

Deputy Inspector General

performing the duties of the Inspector General

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Background

On November 15, 2021, the Infrastructure Investment and Jobs Act, or IIJA, Pub. L. 117-58, was signed into law. The purpose of the IIJA, as it applies to the U.S. Environmental Protection Agency, is to advance public health and safety by improving the nation’s drinking water, wastewater, and stormwater infrastructure; cleaning up legacy pollution; and investing in environmental and geographic programs. The IIJA appropriated over \$60 billion to the EPA for fiscal years 2022 through 2026, providing funds to 19 EPA programs. This represents a significant increase in funding for the EPA, which had annual appropriations ranging from about \$8.1 billion to \$10.1 billion for FYs 2015 through 2025. Once appropriated, IIJA funds generally remain available until expended by the EPA. Figure 1 shows the EPA’s expected IIJA appropriations by program.

As of January 31, 2026, the EPA had obligated over \$39.8 billion in IIJA funding. An obligation is a promise made by the government to spend money, whereas an outlay is when money is spent. The EPA had obligated about 64 percent of IIJA funds appropriated for state and tribal assistance grants, about 99 percent of Superfund, and about 53 percent of environmental programs and management.

Table 1 shows the EPA’s IIJA obligations and outlays. The spending data show that while the EPA had obligated about 72 percent of its IIJA funds, the EPA had only expended 41 percent of the over \$60 billion in total appropriated funds.

Table 1: The EPA’s IIJA obligations and outlays as of January 31, 2026

Description	Amount
EPA obligations	\$39.8 billion
Percent of obligations to total appropriations	72
EPA outlays	\$16.3 billion
Percent of outlays to total appropriations	41

Source: OIG analysis of USASpending.gov data. (EPA OIG table)

The OIG’s IIJA-Related Spending

As of January 31, 2026, we had obligated about \$82.1 million and expended about \$80.9 million, or 30 percent, of our \$270 million in appropriated IIJA funds. The no-year funds allow us the flexibility to initially ramp up our resources and then perform oversight of the EPA’s IIJA implementation over several years. As the EPA’s expenditure of IIJA funds increases, and our IIJA oversight activities and operations further mature, we will regularly reiterate and refine guidance to OIG personnel to ensure the propriety of our IIJA expenditures.

Figure 1: IIJA funding by program

\$60.9 BILLION IN IIJA FUNDING



\$55.4 BILLION

STATE AND TRIBAL GRANTS



- Clean Water State Revolving Fund Traditional: \$11.7B
- Drinking Water State Revolving Fund Traditional: \$11.7B
- Lead Service Lines Drinking Water State Revolving Fund: \$15B
- Emerging Contaminants Clean Water State Revolving Fund: \$1B
- Emerging Contaminants Drinking Water State Revolving Fund: \$4B
- Emerging Contaminants Small & Disadvantaged: \$5B
- Underground Injection Control Grants: \$50M
- Brownfields: \$1.5B
- Save Our Seas 2.0: \$275M
- Pollution Prevention: \$100M
- RECYCLE Act: \$75M
- Clean School Buses: \$5B



\$3.5 BILLION

SUPERFUND



- Remedial Cleanups: \$3.5B



\$2 BILLION

ENVIRONMENTAL PROGRAMS AND MANAGEMENT



- Geographic Programs: \$1.7B
- National Estuary Program: \$132M
- Gulf of America and Mississippi and Ohio Rivers Hypoxia: \$60M
- Class VI Wells/Underground Injection Control: \$25M
- Battery Recycling Best Practices: \$10M
- Battery Recycling Labeling: \$15M



Source: Infrastructure Investment and Jobs Act. (EPA OIG image)
Note: B = billion; M = million

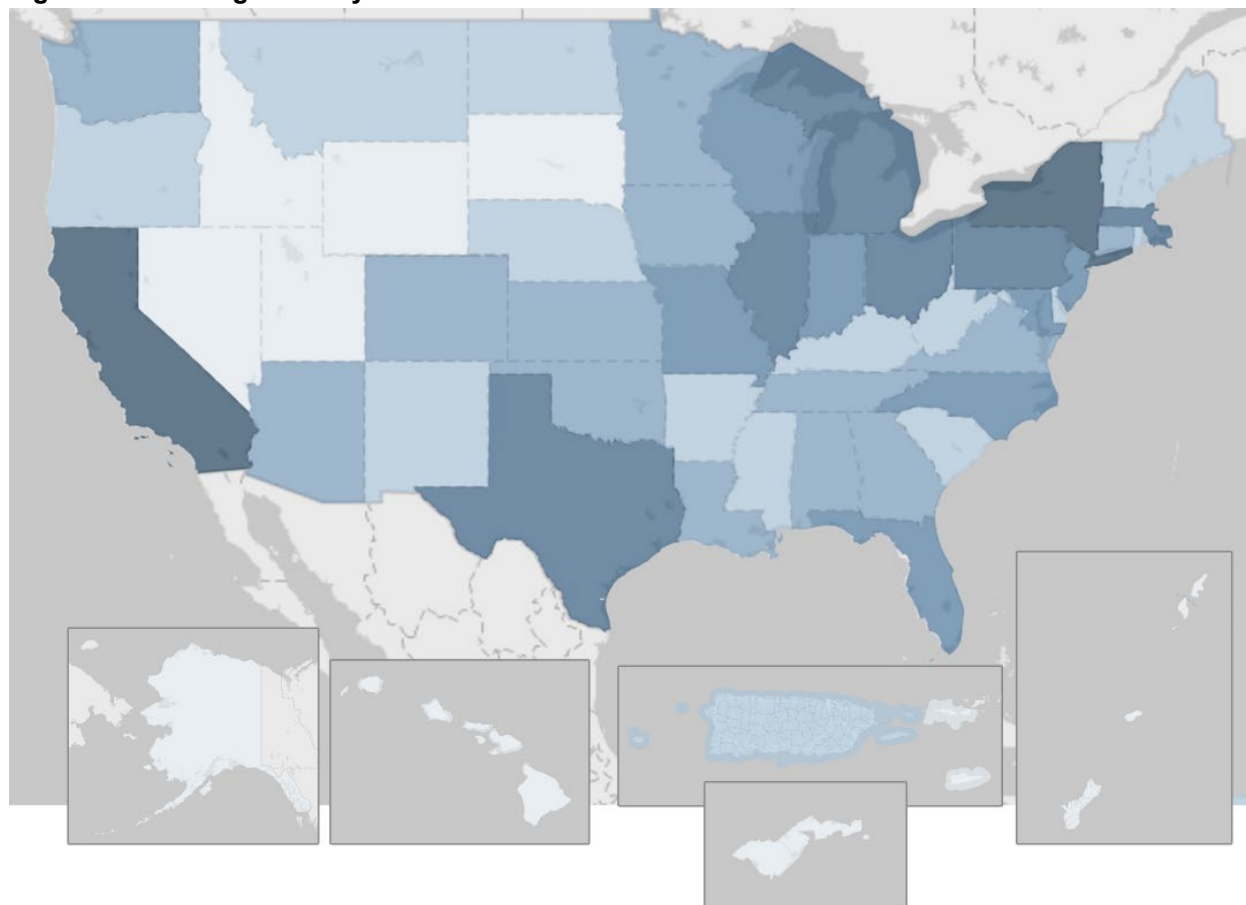
Agency Accomplishments

The EPA is deploying historic IIJA investments broadly across communities in territories, tribal nations, and all 50 states. The heat map in Figure 2 shows the EPA's IIJA obligations by state.

IIJA investments strengthen the EPA's capacity to deliver results. Using IIJA and annual appropriations, the Agency expanded expertise for Class VI well permitting by more than doubling staff, developing training, enhancing data tools, and issuing additional implementation guidance. The Office of Water helped shape governmentwide Build America, Buy America guidance and engaged widely with stakeholders so IIJA projects can source materials domestically and stay on schedule. We found that the EPA's guidance for IIJA Drinking Water State Revolving Fund, or SRF, Emerging Contaminants program funding clearly outlines eligible projects, including per- and polyfluoroalkyl substances, known as PFAS, and offers tools like 100 percent loan principal forgiveness to help communities access this historic investment. Together, these efforts are helping improve public health, protect local environments, and support communities nationwide.

To illustrate an IIJA investment in a community, a November 2025 OIG [evaluation](#) of a Superfund site found that an EPA on-site team maintained an on-site office for walk-in questions, partnered with local officials, and participated in public meetings. In response to resident concerns, the on-site team posted fish consumption advisories well before they were required during a major infrastructure investment in environmental cleanup.

Figure 2: IJJA obligations by state



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

Notes: Obligation data from USASpending linked grants and contracts only. Darker Blue = higher amount (\$750 million - \$2.66 billion); Lighter Blue = lower amount (\$96 million - \$750 million).

Key Challenges

Despite these accomplishments, our year four oversight identified persistent gaps in the EPA’s guidance, oversight, timely fund utilization, recipient capacity, and data quality that risk slowing and undermining IJJA outcomes.



Guidance clarity. The EPA is responsible for issuing guidance that helps states implement federal clean and drinking water programs and use funds consistent with statutory, regulatory, and program requirements. EPA guidance is crucial for translating applicable requirements into practical steps for states and other recipients, outlining requirements for project eligibility and prioritization, and specifying what data and reporting states must submit so the Agency can provide oversight. However, we have identified unclear or conflicting guidance in several reports. For example, in a February 2025 evaluation [report](#) on implementing the Build America, Buy America Act requirements, we found that the EPA’s guidance was not sufficient. Without additional guidance, SRF program administrators and manufacturers had concerns about complying with the IJJA’s domestic sourcing requirements.

In another February 2025 audit [report](#) on implementation requirements for IIJA funding for the Drinking Water SRF Emerging Contaminants program, we found that Agency guidance did not detail allowable ranking and funding levels of non-PFAS projects. Further, the EPA guidance did not adequately describe how to process transfers between different SRFs. As of FY 2023, \$3.5 billion remained unobligated and only \$1.2 million of IIJA Drinking Water SRF Emerging Contaminants program funds had been spent on projects by states. Inconsistencies and delays caused by a lack of clarity in the guidance may prevent the EPA from effectively implementing the IIJA provision to address the risks of emerging contaminants to human health.

In an October 2025 audit [report](#) on compliance with the Clean Water and Drinking Water SRF financial statement audit requirements, we found that some states provided other documentation for their SRF programs that did not specifically include audited financial statements. This occurred because the EPA's guidance is not consistent with the statutory requirements of the Clean Water and Safe Drinking Water Acts. Without audited financial statements of the SRF programs, the EPA and the OIG lack sufficient clarity on the programs' operations to identify potential fraud, waste, and abuse.



Oversight and compliance controls. When the EPA provides funds to states or other recipients, its responsibility does not end at award. Rather, the Agency shifts from grant maker to overseer of a public investment. However, we have observed gaps in the EPA's oversight of federal dollars. For example, in a May 2025 audit [report](#) on the EPA's oversight of Clean Water SRF state subrecipient monitoring, we found that the EPA could further support states in their subrecipient monitoring activities by providing a guide of best practices. Improving oversight of state subrecipient monitoring activities could aid in the prevention or detection of fraud, waste, abuse, and noncompliance with federal requirements in the Clean Water SRF program.

In a November 2025 evaluation [report](#), we assessed institutional controls at a Superfund site and found that the fish advisory signs did not align with the EPA's guidance, compromising the effectiveness of risk communication during the site's \$170 million IIJA-funded remediation.

In a December 2025 audit [report](#), we found that the EPA did not have controls in place to ensure that its regional offices monitor post-award performance of grants through required post-award monitoring plans and regular monitoring reviews. The Agency had missing or incomplete monitoring plans and baseline reports and poorly maintained grant files across regions. These deficiencies occurred because the EPA did not issue its annual guidance in a timely manner and did not have controls in place to track, evaluate, or provide feedback on submitted post-award monitoring plans. Deficiencies in oversight and management of grants leave IIJA funds more susceptible to fraud, waste, and abuse.

In a January 2026 audit follow-up [report](#), we found that annual Federal Financial Reports were missing for 25 percent of reviewed National Estuary Program awards and that 38 percent of submitted Federal Financial Reports were late. This showed weak financial oversight of IIJA-funded National Estuary Program assistance agreements which had a total value of over \$88 million as of June 2025. If the EPA does not consistently collect Federal Financial Reports from award recipients in a timely manner, it may not be able to adequately monitor awards to ensure proper use of federal funds.

In a January 2026 audit [report](#), we found that the EPA did not appropriately identify unknown and improper payments or properly track them for reporting and resolution. This resulted in the Agency's regions underreporting unknown and improper payments by approximately \$54.4 million for FY 2022 and \$8.8 million for FY 2023 for the transactions we reviewed. Without proper identification of unknown and improper payment transactions made through the EPA's SRF program, the Agency cannot make accurate determinations about the success of the states' loan programs or whether SRF controls are operating effectively.



Fund utilization and timeliness. Timely obligation, allocation, and expenditure of IJA appropriations are essential to convert congressional investments into tangible infrastructure results. Our work identified persistent lags, such as unawarded or unobligated balances and delayed allocations, that leave necessary projects unfunded, extend delivery timelines, and undercut statutory priorities for rural, financially distressed, and tribal communities. For example, according to our February 2025 [report](#), the EPA did not consistently manage its Sewer Overflow and Stormwater Reuse Municipal Grants Program in accordance with applicable laws, regulations, policies, and guidance. The IJA added a focus to this program to prioritize funding for rural and financially distressed communities while mitigating cost-share requirements for such communities. Approximately \$20 million in unawarded Sewer Overflow and Stormwater Reuse Municipal Grants Program funds led us to conclude that needed infrastructure projects may have gone unfunded.

We reported additional control issues in our Class VI Well Program evaluation [report](#) issued in July 2025. The EPA did not spend \$1.2 million of FY 2023 annual appropriations within the available time frame for their intended purpose of supporting training for personnel who regulate Class VI wells. Permitting delays may deter the construction of Class VI wells, and a lack of transparency may prevent communities from accessing information about proposed and operational Class VI wells near them. Also, without compliant stakeholder support, the EPA cannot protect the millions of federal dollars spent on work related to Class VI wells from waste and abuse.

In our June 2025 audit [report](#) on the EPA's Water Infrastructure Set-Aside Grants to tribes, we identified that the EPA did not timely allocate funds or provide needed guidance to regional offices on how to identify and prioritize tribal water infrastructure projects. If the Agency does not properly oversee tribal set-aside programs, IJA funds may not reach tribes in a timely manner, and the Agency cannot ensure that the most critical water projects are funded.



Recipient capacity. Capacity limitations in states and communities can hinder their ability to manage a significant increase in federal funds. In year four of our IJA oversight work, we completed the final two of three evaluations in our oversight series on the capacity of states to administer and manage this significant influx of IJA funds. In our June 2025 evaluation [report](#), we found that South Carolina's Clean Water State Revolving Fund Program faces challenges related to stakeholder and human capital capacity. In terms of stakeholder capacity, some South Carolina communities may be unable to participate in the Clean Water SRF program because of

the state’s financial audit requirements or federal requirements, such as Build America, Buy America. In terms of human capital capacity, South Carolina Clean Water SRF program staff expressed concerns related to staffing levels.

The U.S. Virgin Islands also faces capacity issues and, as a result, critical water infrastructure improvements in the territory may be delayed. In our January 2026 evaluation [report](#), we found that the U.S. Virgin Islands has the financial capacity to manage and use its IJIA funds. However, the U.S. Virgin Islands faces human capital-, organizational-, and stakeholder-related challenges that limit its capacity to manage and use its IJIA funds for clean water and drinking water construction grants. In terms of human capital challenges, the U.S. Virgin Islands struggles to hire and retain staff, which leaves key positions like the federal grants manager vacant. Additionally, inadequate succession and contingency plans, standard operating procedures, and accounting practices impact the U.S. Virgin Islands’ ability to efficiently manage IJIA clean water and drinking water construction grants. Finally, the U.S. Virgin Island’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.



Data and systems. These challenges are compounded by data limitations. As we continue to state in our annual top management challenges [reports](#), the EPA faces several challenges that limit the utility of its grant data. The EPA uses a high volume of disparate grant-management systems, maintains unstructured grant data formats, and conducts limited collection of grant subrecipient data. For example, in our March 2025 evaluation [report](#), we considered whether an upgrade to the Agency’s Superfund Enterprise Management System was likely to facilitate improved documentation of institutional controls. We found institutional control data that were inconsistent, incomplete, and missing in some cases. We also determined that an upgrade to the system is unlikely to improve the documentation of institutional controls. Incomplete and inaccurate data limit the EPA’s ability to use the information reported via the system to understand trends and maintain awareness about issues at specific Superfund sites.

Additionally, in our May 2025 follow-up [report](#) on Agency financial and award data, we could not determine a valid reason for unexplained changes in EPA’s grant management system to a \$2 million grant record. Inadequate controls within the EPA’s grants management system increase the EPA’s susceptibility to fraud and could impact other EPA systems.

Office of Investigations Outreach

In addition to our audits, evaluations, and inspections, our Office of Investigations continues to conduct proactive stakeholder outreach. During our reporting period, the Office of Investigations hosted 27 IJIA-related fraud briefings, reaching more than 4,390 attendees. In one instance in December 2025, OIG investigators, in partnership with the U.S. Department of Justice and other Council of the Inspectors General on Integrity and Efficiency partners, delivered a nationwide fraud presentation on the important work of inspectors general. This presentation also discussed ways to partner with banking institutions across the nation through collaboration focusing on the OIG community’s role in conducting oversight of

IIJA funds. Additionally, OIG investigators have coordinated and engaged with several grant recipients, law enforcement partners, and state environmental agencies such as water development boards, offices of attorneys general, OIGs, and programmatic departments including brownfields programs, air programs, and SRFs. The Office of Investigations also coordinated and engaged with several task forces and working groups.

Conclusion

The EPA's regulatory and oversight roles are vital to ensure the success of infrastructure funding programs. By pairing historic investments with strong EPA and OIG oversight, high quality data, improved capacity and controls, and clear guidance, the Agency can more efficiently and effectively utilize IIJA funds to achieve intended outcomes.



Whistleblower Protection

U.S. Environmental Protection Agency

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