

PROGRAM 3 – CLEAN WATER STATE REVOLVING FUND

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

I. PROGRAM OBJECTIVES

The Department of Environmental Conservation's (DEC), Clean Water State Revolving Fund (CWSRF), is a low interest rate loan program to assist public entities with the financing of publicly owned treatment facilities and nonpoint source management activities. The 1987 Clean Water Act Amendments authorized the US Environmental Protection Agency to award capitalization grants to states to provide seed money for the low-interest loan program. While the 1987 Amendments only authorized funding for the first several years of the loan program, Congress continues to provide funding as part of its annual appropriations.

II. PROGRAM PROCEDURES

Funding is a combination federal grants/state match from the Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds (ANL 66.458) and state "second cycle funds" which are a combination of loan repayments, investment and interest income. See Alaska Statutes 46.03.32. Alaska Clean Water Fund, 46.03.034. Alaska Clean Water Administrative Fund, AS 46.03.035. Fees Charged for Loans Made From the Alaska Clean Water Fund, and 18 AAC 76 Alaska Clean Water and Drinking Water Revolving Loan Funds.

Commented [PEA(1)]: Need to reference the Alaska Statutes/AAC the State Program Requirements are located.

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There are multiple Funding options:

- 1) Federal Grant + State Match – These funds are subject to both Federal and State Single Audit. The Federal Compliance Supplement for ANL 66.458 should be used for both of these audits.
- 2) State Only "second cycle funds" – These funds are not subject to State Single Audit.
- 3) Loan Subsidy or Forgiveness –
 - a. Federal Grant + State Match – These funds are subject to both Federal and State Single Audit.
 - b. State Only "second cycle funds" – These funds are subject to State Single Audit. The Compliance Supplement below should be used.

Auditors should verify funding source with DEC to ensure appropriate Single Audit Requirements are applied.

This program is administered by the Division of Water (DOW), Technical Assistance and Financing Program. For a project to be considered for funding from the ACWF, it must be included in the State's Project Priority List of CWSRF projects. The process is initiated when an eligible applicant completes a project questionnaire through the DEC Online Application System.

The project scoring committee, made up of representatives from the SRF Program, as well as the ADEC Drinking Water, Wastewater, Source Water Protection, and Nonpoint Source Programs, evaluates the project questionnaires based on the

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CWSRF criteria and assigns a numeric score to each project. Projects are added to the Project Priority List in rank order and funded based on an established rating criteria.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED AND UNALLOWED -

Compliance Requirement: Loan funds can be expended only for those budgeted items specifically detailed in the loan agreement unless DEC has approved a request to modify the originally approved budget.

Suggested Audit Procedure: Review to compare loan agreement, related project records, and expenditures.

B. ELIGIBILITY -

There are no eligibility requirements.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS -

The state match requirement is equal to at least 20% of the federal capitalization grant. Payments from the State should be proportionate Federal + State Match.

D. REPORTING REQUIREMENTS -

Compliance Requirement: Grantees must satisfy several specific requirements detailed under the section of the grant titled, "Grant Conditions", including the various reporting requirements detailed in the grant agreement. However, the reporting requirements may be altered by the department if no activity has occurred for the project.

Suggested Audit Procedures:

- a) Review grantee's records to determine whether the requirements of the Grant Conditions have been satisfied and appropriate reports have been submitted as required; and
- b) Obtain copies of submitted reports to review for completeness and timeliness. The various reports required are for; trips by the RMW to communities served, quarterly and annual activity reports, and fiscal reports.

E. TESTS AND PROVISIONS -

Compliance Requirement: Borrowers must satisfy several specific requirements detailed under the section of the loan agreement titled, "General Terms and Conditions" and "Federal Funding Requirements."

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Suggested Audit Procedures: Review loan agreements to determine whether the requirements have been satisfied.