

DEC PROGRAM 3 - CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS & CLEAN WATER SRF REPAYMENT FUNDS

PROGRAM OBJECTIVES

The Department of Environmental Conservation's (DEC), Clean Water State Revolving Fund (CWSRF), assists public entities with the financing of publicly owned treatment facilities and nonpoint source management activities through a low-interest rate loan program and other types of assistance. 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 program, Congress continues to provide funding as part of its annual appropriations.

PROGRAM PROCEDURES

Funding is a combination of state general funds used as state match, and federal funds 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.

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 are a combination of loan repayments, investment, and interest income. – 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.

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), State Revolving Fund Program. For a project to be considered for loan 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 CWSRF criteria and

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assigns a numeric score to each project. Projects are added to the Project Priority List in rank order and funded based on funding availability.

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED AND UNALLOWED -

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

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

B. ELIGIBILITY -

The auditor is not expected to make tests for recipient eligibility.

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

The matching requirement is determined in the agreement.

D. REPORTING REQUIREMENTS –

Compliance Requirement: Assistance recipients must satisfy the specific requirements detailed in each agreement's terms and conditions, including the various reporting requirements. However, the reporting requirements may be altered by the department if no activity has occurred for the project.

Suggested Audit Procedures:

- 1) Review records to determine whether the requirements of the agreement's conditions have been satisfied and appropriate reports have been submitted as required; and
- 2) Obtain copies of submitted reports to review for completeness and timeliness.

E. TESTS AND PROVISIONS –

Compliance Requirement: The agreement specifies the reporting requirements that must be satisfied.

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