

DEC PROGRAM 4 - CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS, CAPITALIZATION GRANTS FOR DRINKING WATER BIL STATE REVOLVING FUNDS, & DRINKING WATER SRF REPAYMENT FUNDS

PROGRAM OBJECTIVES

The Department of Environmental Conservation's (DEC), Drinking Water State Revolving Fund (DWSRF), created by the 1996 amendments to the federal Safe Drinking Water Act (SDWA), assists public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the purpose of establishing a low-interest loan program and other types of assistance to eligible water systems.

PROGRAM PROCEDURES

Funding is a combination of federal grants/state match from the Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds (ANL 66.468) and state "second cycle funds" which are a combination of loan repayments, investment and interest income. See Alaska Statutes 46.03.036. Alaska Drinking Water Fund (ADWF), 46.03.038. Alaska Drinking Water Fund, and AS 46.03.039. Fees Charged for Loans made from the Alaska Drinking 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 66.468 should be used for both of these audits.
- 2) State Only "second cycle funds" – These funds are **not** subject to State Single Audit.

Auditors should verify the 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 ADWF, it must be included in the State's Project Priority List (PPL) of DWSRF projects. The process is initiated when an eligible borrower 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 DEC Drinking Water, Wastewater, Source Water Protection, and Nonpoint Source Programs, evaluates the project questionnaires based on the DWSRF criteria and assigns a numeric score to each project. Projects are added to the PPL in rank order and funded based on an established rating criteria.

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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 perform tests over 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.