

# PROGRAM 3 – CLEAN WATER STATE REVOLVING FUND

## DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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### **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 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.
- 3) Federal only – These funds are one hundred percent Federal and there are no state funds contributed.

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

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### 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.

#### D. REPORTING REQUIREMENTS -

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

**Suggested Audit Procedures:**

Review borrower's records to determine whether the requirements of the Loan Conditions have been satisfied and appropriate reports have been submitted as required; and Obtain copies of submitted reports to review for completeness and timeliness. The various reports required are disbursement requestions and quarterly progress reports, Disadvantaged Business Enterprise reports, and Davis Bacon 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.

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