



REGION 6

DALLAS, TX 75270

June 27, 2025

Shellie R. Chard
Director, Water Quality Division
Oklahoma Department of Environmental Quality
Post Office Box 1677
Oklahoma City, Oklahoma 73101-1677

Dear Mrs. Chard:

Enclosed is the final State Fiscal Year 2024 Drinking Water State Revolving Fund Annual Program Evaluation Report for the Oklahoma Department of Environmental Quality. The report is based on the SFY 2024 DWSRF Annual Report discussions with the ODEQ staff, programmatic and financial reviews, and the completion of the Environmental Protection Agency's standardized national checklists of program evaluation questions.

We appreciate your assistance, as well as that of your staff, in this review process. The EPA's review finds that the OK DWSRF Program was in compliance in SFY 2024. Overall, the state is implementing a well-organized program. The EPA commends the ODEQ and Oklahoma Water Resources Board staff for working diligently to meet their commitments under the DWSRF program.

If you have questions regarding the report, please feel free to contact me at (214) 665-7261 or have your staff contact Javier Balli, OK DWSRF Project Officer, at (214) 665-7261.

Sincerely,

Claudia Hosch
Branch Manager
Water Division

Enclosure

1. SFY24 OK DWSRF PER-Final

ecc: Mark Stasyszen, ODEQ
Vicki Reed, ODEQ
Lori Johnson, OWRB
Laura Oak, OWRB



State of Oklahoma

Drinking Water State Revolving Fund Program Evaluation Report

State Fiscal Year 2024 7/01/2023 - 6/30/2024

Prepared by Javier Balli, Jonathan Blasingame
and Ermer Torres-Marquez
Assistance Programs Branch
US EPA Region 6



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EXECUTIVE SUMMARY

The Oklahoma Department of Environmental Quality (ODEQ) received their Federal Fiscal Year 2023 (FFY23) Drinking Water State Revolving Fund (DWSRF) base capitalization grant for \$7,177,000, their Infrastructure Investment and Jobs Act (IIJA) general supplemental grant for \$30,602,000 and their emerging contaminant grant for \$11,104,000 totaling \$48,883,000 during State Fiscal Year (SFY) 2024. The ODEQ made twenty (20) binding commitments totaling \$214.67 million in funding toward drinking water infrastructure.

The ODEQ and the Oklahoma Water Resources Board (OWRB) continue to collaboratively operate a robust and successful DWSRF program. Even with the significant influx of funds from the IIJA, the OK DWSRF program financial indicators met or exceeded the national goals. One of these financial indicators, “Assistance Provided as a Percentage of Funds Available”, increased to 100.03 percent and was one the best in the country and outperformed the national average by 91.20% in SFY 2024. This indicator is commonly referred to as “pace”, which measures how well the state is putting its available funds into loans. Additionally, the ODEQ and OWRB continue to excel in their “Undisbursed Funds to Average Disbursements” indicator (2.6 years), with the national average at 4.7 years. This indicator measures how efficient SRF funds are revolving by examining a program’s disbursement rate over time and comparing it to cash on hand. In SFY 2024, the ODEQ program had several staffing challenges, including the departure of two senior engineers. ODEQ continues to have a significant combined subsidy forwarded to the following SFY. The total combined subsidy forwarded to SFY 2025 was over \$31.3 million.

Challenges discussed during the review included ODEQ’s difficulty hiring and retaining staff for open positions, forcing the program to hire outside the agency, only to encounter mixed results. While the demand for loan funds remains high, funding to run the program is a concern, especially once the fifth IIJA grant has been awarded. ODEQ is also concerned that resources to run their Drinking Water program have not kept up with increased demands of state personnel in implementing new rules, regulations, etc., which primarily is from the base DWSRF set-asides and the Public Water System Supervision grant program. Yet, the program expressed their thanks for the training and support that they have received from Region 6. ODEQ would appreciate more training opportunities, like the Build America, Buy America (BABA) training held in Dallas in October 2024.



Fiscal Year 2024 Wrap-Up

\$136.2M
19 Assistance
Agreements

Fiscal Year 2023 Allotments

\$7,177,000
Base Grant

\$30,602,000
IIJA Supplemental
Grant

\$11,104,000
IIJA Emerging
Contaminants Grant

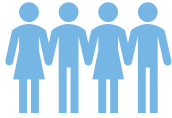
Funding for EPA Priorities

Resolving Compliance
Violations
\$11,943,222

Financial
Indicators
2.6 years
Disbursement Ratio

100.03%
Pace

SUCCESSSES AND CHALLENGES



Program Management and Staffing

The ODEQ DWSRF program is managed out of the Public Water Supply Program. A skillful project team consisting of engineers, environmental specialists, technical support staff, and capacity development coordinators help manage projects across the state. SFY24 saw the program having challenges meeting their staffing goals. This includes positions that have been difficult to fill, primarily for engineering positions. This staffing shortage worsened with the departure from the agency in June 2024 of two DWSRF senior engineers, therefore leaving the program with only one Professional Engineer.



Improvement of Drinking Water Quality

During SFY24, ODEQ and OWRB closed nineteen (19) projects, including \$136,208,870 in funding. A remaining SFY24 commitment closed in July 2024 for \$75,261,000 with the Oklahoma City WUT (XII). These were made to correct deficiencies and achieve compliance with the national primary drinking water regulations or otherwise further the public health protection objectives of the Safe Drinking Water Act (SDWA).



Addressing Violations

ODEQ continues to target public water supply projects with health-based violations (HBV) to reduce their noncompliance rate. During SFY24, OWRB and ODEQ continued its effort to target public water systems with Health-based Violations (HBV), primarily disinfection byproduct (DBP) issues. During this period, 3 out of 19 projects funded were systems with HBV (Nowata MA, Pushmataha Co. RWD #2 and Wewoka PWA). The DWSRF program offers principal forgiveness funding for these activities.



Timely and Expeditious Expenditure of Funds

On January 31, 2024, EPA headquarters released a memorandum titled, *“Maximizing Water Quality and Public Health Benefits by Ensuring Expeditious and Timely Use of All State Revolving Fund Resources”*. This memorandum addressed the statutory and regulatory timely and expeditious use of funds requirements for the SRF programs. The memo restated the long-standing requirement that states have one year from receipt of funds to commit funds into signed final assistance agreements. This includes all funds: capitalization grants, state match, repayments, and investment earnings of the fund. The memo also set new targets for the disbursement ratio (cash-to-average annual disbursements) with two years considered adequate performance and five years or above as unacceptable performance.

The OK DWSRF program exhibits a disbursement ratio of 2.6 years (as of June 30, 2024) indicating acceptable program performance. This ratio has improved from SFY23, further showcasing OWRB’s exceptional fund management. The OK DWSRF program’s Disbursement Ratio is not only the best of Region 6’s DWSRF states, but also the 8th lowest ratio in the nation for FY24.

THE ANNUAL REVIEW

The OK DWSRF programmatic review was conducted on-site from January 22-24, 2025. The primary ODEQ and EPA staff that participated in the DWSRF review are listed below in Table 1. The following sections summarize document reviews and discussions that took place.

Table 1. Annual Review Participants			
Asst. Programs Branch, DW Infrastructure Section		ODEQ and OWRB	
Claudia Hosch	Branch Manager	Mark Stasyszen	Acting Env. Program Manager
Salvador Gandara	Section Supervisor	Candy Thompson	DWSRF Engineering Manager
Javier Balli	Project Officer	Vicki Reed	DWSRF Programs Manager
Rudy Molina	IJJA-LSLR Project Officer	Steven Hoffman	Project Engineer
Eric Anderson	IJJA-EC Project Officer	Kristi Roy	Environmental & DBE Coord.
Jonathan Blasingame	Financial Analyst	Michelle Estrada	Budget Analyst
Ermer Torres Marquez	Financial Analyst	Laura Oak	OWRB Accountant

Project File Reviews

Project File Review Checklists were completed for the four DWSRF projects listed in Table 2.

Project, construction, and administrative loan files were examined to ensure projects are managed consistently with federal regulations and policies governing the DWSRF program. Additionally, files were requested and checked for documentation to verify compliance with all applicable DWSRF programmatic and financial requirements, such as Davis Bacon Wage Rates and Single Audits. EPA also followed through with OWRB for the Single Audits of all four projects. OWRB responded that the three projects that were equivalency projects (Lawton WA (VI), Garfield County RWD #6, and New Cordell UA) had been contacted for their Single Audits and were awaiting responses from the utilities.

Table 2. Projects reviewed as part of the SFY24 DWSRF Annual Review			
Project Criteria	Recipient	Assistance Provided	Project Description
Base Equivalency	New Cordell UA	\$2,250,000	Replace approximately 12,000 feet of water lines and associated improvements, plus rehab of storage tank.
IIJA General Supplemental Equivalency	Lawton Water Authority (VI)	\$30,000,000	Replace approximately 23 miles of water lines and associated improvements.
Additional Base or IIJA with DAC and Subsidy	Bernice PWA	\$2,250,000	Install approximately 32,000 feet of water line and associated improvements from Ketchum PWA to Bernice PWA.
IIJA Emerging Contaminants	Garfield County RWD #6	\$2,240,000	Construction of iron and manganese treatment plant and associated appurtenances.

FINANCIAL REVIEW

The following section outlines the documents reviewed and discussions that took place during the SFY24 DWSRF Annual Review. The review encompassed a thorough analysis of Transaction testing, Financial Audits, Financial Indicators, and Fees.

Transaction Testing

Table (3) shows the cash draws reviewed for the DWSRF program. The DWSRF program has been deemed low risk and therefore there are no selected cash draws by EPA's Office of the Chief Financial Officer (OCFO) to review this fiscal year.

TABLE 3. CASH DRAWS SELECTED FOR TRANSACTION TESTING.

	Grant #	Date	Federal Draw	Type of Draw
1.	98681423-0	2/02/2024	\$841,338.98	Loan
2.	02F20302-1	12/05/2023	\$1,604,160.09	Loan
3.	02F20402-0	12/22/2023	\$3,859.02	Set-Aside
4.	02F21101-1	5/16/2024	\$19,244.17	Set-Aside

These transactions did not duplicate any of the transactions sampled during previous reviews and all items appeared to be eligible under the DWSRF program. EPA-developed transaction testing worksheets were completed after review of the payment request backup documents and confirmed that each cash draw transaction occurred within a timely manner.

Improper Payments

No Improper Payments were identified from the Transaction Testing completed on March 15th, 2025.

Key Financial Indicators

Financial indicators are tools which help EPA understand and assess a State’s SRF program. The values are calculated using the data which the State provides in the SRF Data System each year.

Fund Utilization

Figure 1. Assistance Provided as a Percent of Funds Available – (PACE)

This indicator is referred to as “PACE”. This metric is used to determine how efficiently a state is revolving their funds through their SRF program. The Oklahoma DWSRF is demonstrating a program pace that has excelled in comparison to the national average and as of 2024 it has trended positively. The “pace” of the program represents the percentage of money available that has been committed to executed loans. At 100.03%, the Oklahoma DWSRF cumulative pace is well above the national average of 91.2%. This places the Oklahoma DWSRF “pace” as one of the top programs in the nation for SFY24. The pace has fluctuated over the past five years, but 2024 was an improvement of roughly 4% compared to 2023, showing that the program is trending in the right direction and that ODEQ is committing funds in a timely and expeditious manner.

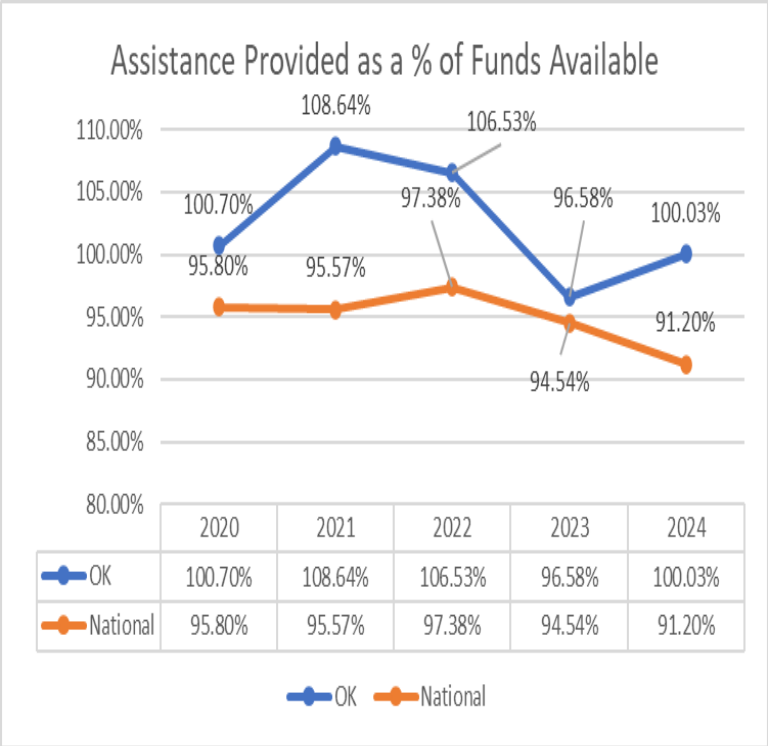


Figure 2. Rate of Undisbursed Funds to Average Disbursements

This financial indicator is used to assess the amount of cash a state has compared to cash needs; it illustrates the number of years it would take to fully disburse the available funds at the current spending rate. For the DWSRF, the target is to maintain the indicator at less than 5 years for acceptable program performance. In Figure 2, the blue color represents the state's performance. For SFY2024, the indicator shows 2.6 years to disburse. The Oklahoma DWSRF outperforms the national average by over 2.1 years.

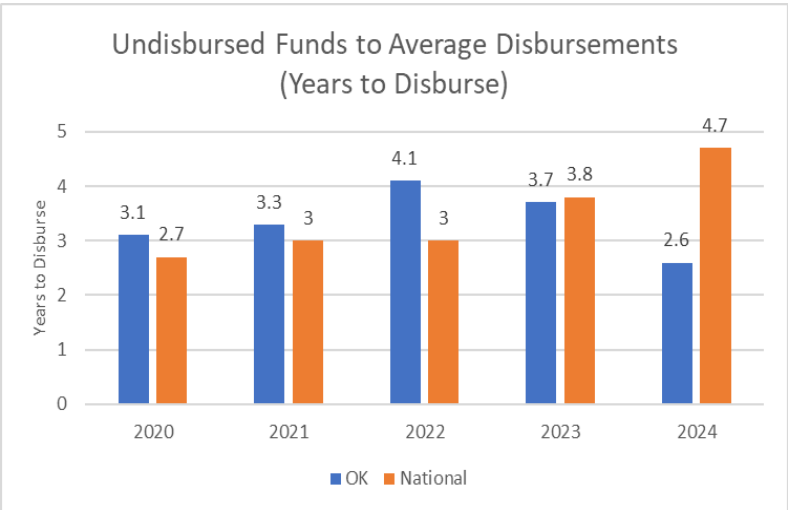


Figure 3. Disbursements as a Percent of Assistance Provided

This measure provides some insight on how quickly states are disbursing funds to projects. When loans are signed, it is important that those funds are disbursed in an expeditious manner. The ODEQ has a disbursement rate of 79.49% for 2024, which is slightly below the National Average of 83.65%. The ODEQ has stated that this decline in disbursement rate is due to the addition of American Rescue Plan Act (ARPA) funds in the program. It may be beneficial to the ODEQ to revisit its disbursement process to identify potential opportunities to increase efficiency. In plain English, "For every dollar committed to loans, how many have been disbursed?"

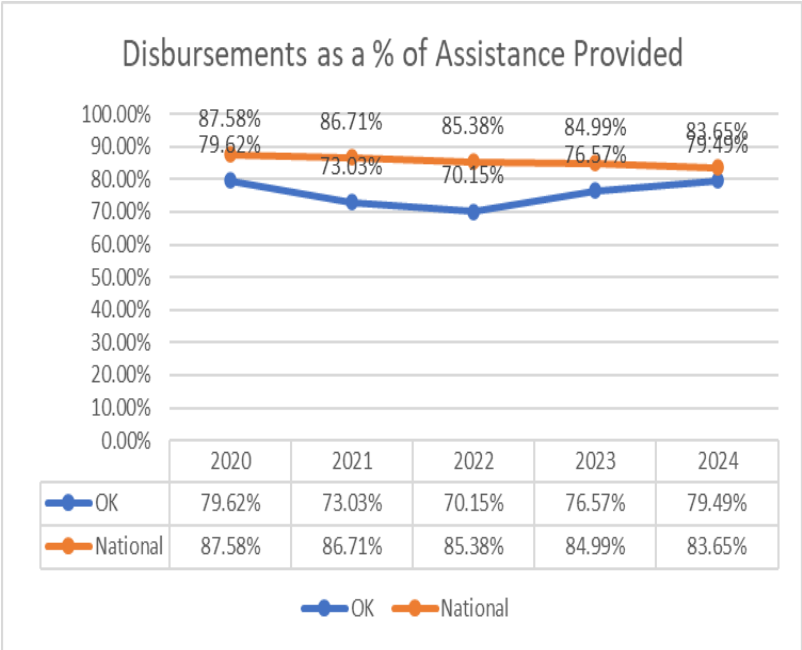


Figure 4. Total Net

The Total Net financial indicator measures the extent by which internal growth (solely from net repayments) is generating additional funding for new projects. It accomplishes this by taking the total cash inflows generated by ongoing loan and investment activity and subtracting out debt service payments from outstanding match and leveraged bonds. New federal capitalization grants and leveraged bond issues are also excluded from this calculation. This indicator helps assess how effectively the program is generating and utilizing funds internally to support future DWSRF projects. The total net for Oklahoma increased from \$12 million in SFY2023 to approximately \$20.6 million in SFY2024, showing an improvement in the perpetuity of Oklahoma’s DWSRF program.

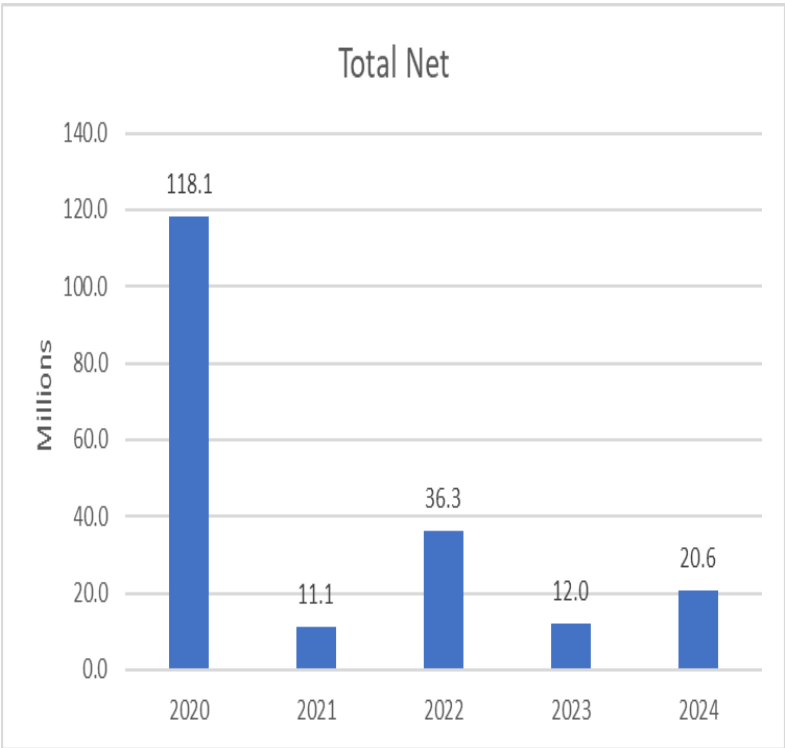
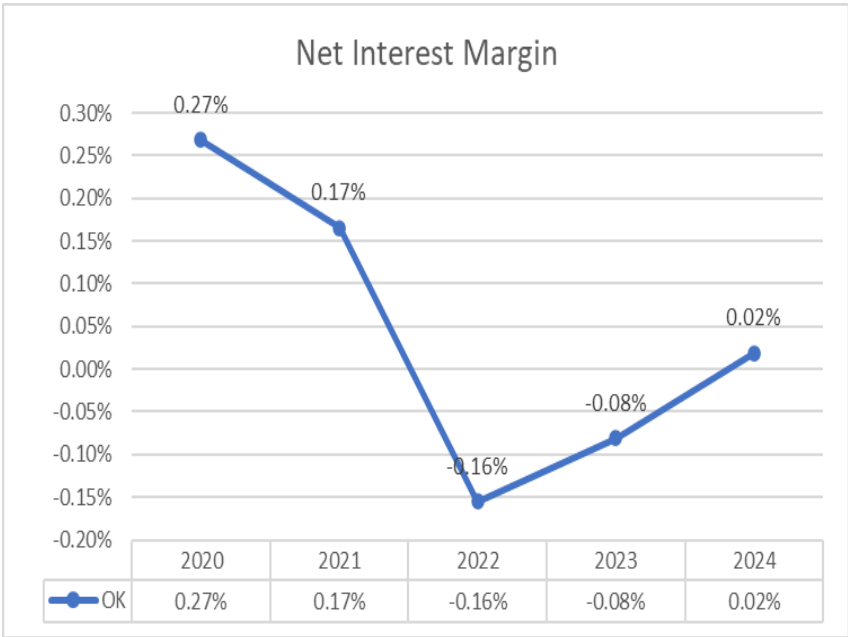


Figure 5. Net Interest Margin



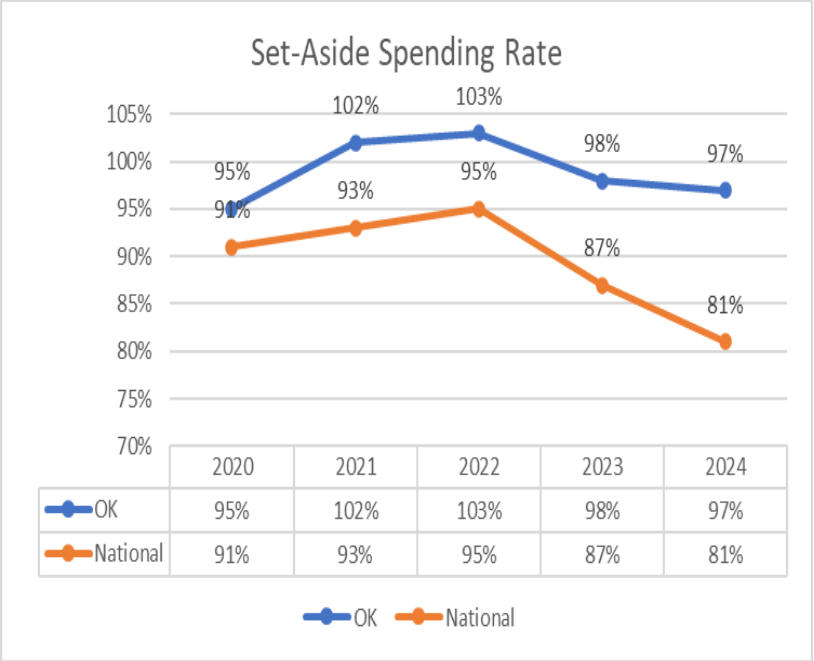
This measure is an indicator of the net earning potential of the Oklahoma DWSRF. Net interest margin helps inform whether the interest earnings are greater than interest expenses on bonds. A positive value indicates that the DWSRF has positive earnings from its basic operations. High net interest margin indicates the program is growing more quickly. This indicator has recovered in recent years and shows promise for continued growth.

Performance Analysis

The Oklahoma DWSRF program’s FY24 financial activities, including Loan Agreements, Loan Disbursements, and Fund Sustainability and Growth, were reviewed. For SFY24, the Oklahoma DWSRF Cumulative - Executed Loans as a Percent of Funds Available or “PACE” is at 100.03%, which is higher than the national average of 91.2%, indicating advanced commitment of funds. The Ratio of Undisbursed Funds is at 2.6 years, which is a better than the national average of 4.7 years.

Figure 6. Set-Aside Spending Rate

The Set-Aside Spending Rate is used to show the cumulative set-aside expenses as a % of cumulative net amount awarded for set-asides. With this indicator we are able to determine if proper fiscal controls are being implemented by looking at the total commitments to set-aside projects being taken from set-aside account funds. A higher percentage indicates the effective use of funds taken for set-asides and their use. OK has consistently exceeded the national average. In Plain English, the set-aside spending rate is best described as “Of the funds taken for set-aside accounts, how much has been committed to set-aside projects.”



Trend Analysis

These financial indicators are tools which help EPA understand and assess a State’s SRF program within the Region. The values are calculated using the data which the State provides in the SRF Data System report each year. Overall, the financial health of the program continues to remain strong and is trending in a positive direction that is evident as the PACE of the program has rebounded from last year’s dip of roughly 10% to the current 100% PACE. The OWRB reports that it closely monitors the cash available versus the amount obligated to ensure availability of funds when borrowers submit disbursement requests. The OWRB leverages the program when needed which results in a large inflow of cash to the fund that takes time to disburse. The ODEQ and OWRB monitor funds throughout the year looking at the expected monthly disbursements to borrowers, cash balances, bond proceeds, interest earnings, cap grant fund available, expected loan closings, and the project priority list.

Independent/Single Audit Reports

Independent financial audits are conducted annually to determine whether SRF financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB). Additionally, the audit determines if there are any weaknesses in internal controls regarding SRF funds oversight and if the state is in compliance with respect to the laws, regulations, and the provisions of SRF capitalization grants. The Oklahoma DWSRF financial and compliance audit for SFY24 was finalized on September 16, 2024. Arledge, CPA performed the audit and issued an opinion of ‘unmodified’ in the audit report. No material weaknesses were identified for either the financial or the compliance audit.

Unliquidated Obligations (ULOs)

States are encouraged to have no more than two open cap grants at any one time. ODEQ continues to follow the first-in-first-out (FIFO) policy of drawing funds from the older grant first. As of July 31, 2024, ODEQ had four open grants, two of them being IJIA Supplemental grants with funds only remaining in the set-asides, and two open Emerging Contaminants grants.

Grant Number	Obligation Amount (\$)	Drawdowns	ULO	Budget Period End Date
4D-02F20301	25,508,000.00	24,422,327.71	1,085,672.29	6/30/2026
4D-02F20302	30,602,000.00	28,712,045.46	1,889,954.54	6/30/2027
4E-02F20401	5,733,624.00	1,944,088.29	3,789,535.71	6/30/2026
4E-02F20402	11,104,000.00	98,996.64	11,005,003.36	6/30/2027

PROGRAMMATIC REVIEW

During Oklahoma’s SFY24, the OK ODWSRF program continued to provide infrastructure funding to a significant number of communities across the state. SFY24 saw the ODEQ commit approximately \$214.6 million in loans for twenty (20) binding commitments for projects listed on the SFY24 Project Priority List. All these communities were considered ‘disadvantaged.’ A disadvantaged community means those communities which serve a population whose Median Household Income (MHI) is greater than 80% but less than 90% of the national MHI according to the United States Census Bureau/American Community Survey.

Effective Loan and Program Oversight Management

During Annual Review interviews, ODEQ reported their struggles to meet their staffing goals in SFY24, because of retirements and more lucrative opportunities in private industry. After internal announcements were not receiving adequate candidates, the agency was forced to advertise outside the agency only to encounter mixed results. Retirements and transfers of non-engineering staff also impacted workload for those remaining in the program.

Seven ODEQ staff members attended Domestic Preference training hosted at the EPA Region 6 offices. During the annual review staff requested additional training opportunities including SRF 101 type training, and specific training like AIS and BABA. Staff also noted that virtual training provides them with additional opportunities for training at a lower cost.

State Programmatic Updates

The Oklahoma DWSRF programmatic updates related to implementation of many federal requirements including Davis-Bacon, Signage requirements, and Build America, Buy America. State program updates for SFY24 are provided in the sections below.

State Environmental Review Process (SERP)

The ODEQ State Environmental Review Process (SERP) is outlined in the SFY24 IUP and posted on the program's website. ODEQ reported completion of its environmental review in accordance with Federal Law and its approved SERP for all DWSRF projects. The OK DWSRF SERP requires ODEQ to evaluate applicable crosscutters including historic properties, endangered species, etc. ODEQ reported no changes to its approved SERP process during SFY24.

Davis-Bacon

ODEQ staff monitored each project through planning, bidding, contracting, and construction to ensure that Davis Bacon and EPA Guidance provisions were met. ODEQ has fully implemented this requirement by ensuring that the latest Department of Labor wage rates for each project contract are established prior to bidding, that weekly payroll reports are received from the prime and sub-contractors and reviewed by the water system, that employee interviews are conducted at least twice during the contract period, and that all complaints regarding the wage rate determinations are investigated and resolved. Project file reviews resulted in project officers requesting additional documentation and explanation from the Project Engineer to ensure that ODEQ was compliant with Davis Bacon requirements.

Domestic Preference (AIS and BABA)

During the Annual Review, the EPA is required to verify that construction contracts specify that all iron and steel products used in the construction of the project will be produced in the United States and should specifically reference American Iron and Steel (AIS) requirements. The ODEQ SFY24 Annual Report describes how AIS requirements are permanent to the DWSRF program. AIS and BABA guidance are posted on the DWSRF program's website as Special Requirements. EPA has determined that ODEQ was compliant with AIS requirements.

EPA is required to confirm during the annual review that equivalency projects contain documented compliance with BABA including any waivers that were approved based on November 13, 2023, Amended Adjustment Period Waiver guidance, as well as any de minimis list and invoices of de minimis items with a tally of total project costs. ODEQ reported no changes to their BABA implementation for SFY24 during the on-site interviews

Data Reporting

EPA's SRF Grant Terms and Conditions require states to report the use of all funds in the Office of Water SRF Data System and verify that projects with executed loan agreements are reported in the Annual Report have been entered quarterly. For the DWSRF program, all projects should be reported in the Office of Water SRF Data System. A review of the Office of Water SRF data system indicated ODEQ entered project information on a quarterly basis.

The Federal Funding Accountability and Transparency Act (FFATA) applies to all federal funding awarded after October 1, 2010. FFATA requirements are considered met when loan, contract, or set-aside activity has been reported to the Federal Subaward Reporting System (FSRS) using www.fsrs.gov in an amount equivalent to the capitalization grant amount, minus the set-asides, as applicable. As of March 8, 2025, www.fsrs.gov was retired and all subaward reporting data and functionality are now in SAM.gov. FFATA requirements for the FFY23 capitalization grants were satisfied at the time of the on-site review. The FFY22 Emerging Contaminant grant has yet to meet the full grant amount reporting requirement. ODEQ will continue to report the balance once additional emerging contaminants projects close. Region 6 will continue to track to assure compliance with FFATA requirements. The FFATA reporting amounts at the time of the review are shown in Table 4.

Table 4. FFATA Requirements for SFY24 (SAM.gov Reporting)			
Funding Source/Grant	Required Amount	Already Reported	Left to be Reported
FFY23 Base	\$4,952,130	\$4,952,130	\$0
FFY23 IIJA GS	\$26,339,857	\$26,339,857	\$0
FFY22 IIJA EC	\$4,800,000	\$2,240,000	\$2,560,000

The DWSRF program may grant subsidies in the form of principal forgiveness to systems. Those systems in Oklahoma which met the criteria for consolidation and/or regionalization were granted principal forgiveness in accordance with the DWSRF procedures for each type of project. Starting in SFY19, ODEQ's focus for the subsidy became public water supplies that have Health-based Violations (HBVs), such as Disinfection Byproducts (DBPs) issues. In addition to HBV and regionalization/consolidation projects, during SFY24, the OK DWSRF program provided additional subsidization to all eligible projects seeking funding through the DWSRF program. The total combined subsidy forwarded to SFY25 is \$31,314,197.87.

Table 5. Required subsidy percentage, dollar amount and subsidy provided in SFY24.

	Required %	Required \$	Subsidy Assigned SFY 2024	Forward to SFY 2025
FFY22 Base Grant	14%	\$1,390,900	\$964,077	\$426,823
FFY23 Base Grant	14%	\$1,004,780	\$0	\$1,004,780
FFY22 IJJA Gen. Supp.	49%	\$12,498,000	\$12,498,000	\$0
FFY23 IJJA Gen. Supp.	49%	\$14,994,980	\$14,681,227.13	\$313,752.87
FFY22 IJJA LSLR	49%	\$19,694,080	\$3,234,250	\$16,459,830
FFY22 IJJA Emerging C.	100%	\$4,800,00	\$2,240,000	\$2,560,000
FFY23 IJJA Emerging C.	100%	\$11,104,000	\$0	\$11,104,000
			\$33,617,554.13	\$31,869,185.87

Other Programmatic and Administrative Terms and Conditions

Other programmatic and administrative updates are provided in the sections below.

Equivalency

For SFY24 the OK DWSRF program applied equivalency requirements to selected projects in an amount equal to the FFY23 Base, FFY23 IJJA General Supplemental and the FFY22 Emerging Contaminants grants from which closed loans were associated with. The ODEQ reported all equivalency projects into the Federal Funding Accountability and Transparency Act (FFATA) reporting system (refer to Table 4 above) as is required by the terms and conditions of the capitalization grant. The FFY23 Base equivalency was satisfied by their Edmond PWA (XI) project. The FFY23 IJJA General Supplemental equivalency was satisfied by their Lawton WA (VI) project. The FFY 22 IJJA Emerging Contaminant equivalency was partially satisfied by their Garfield County RWD #6 project.

Fees

Administrative funds used to administer the program may be paid from the loan application fee collected on DWSRF loans at the time of applying by OWRB. Borrowers are also billed 0.5% of the outstanding loan principal semi-annually along with their principal and interest payments. This loan administration fee and the application fee are held outside the DWSRF account in the Drinking Water Treatment Administrative Fund (DWTAF).

During SFY 2024, administration fees and loan application fees of \$4,265,586 were invoiced and collected. Additionally, the DWTAF earned \$367,468, in interest, for SFY 2024. During SFY 2024, \$1,517,074 was expended from the DWTAF for staff training, Council of Infrastructure Financing Authorities (CIFA) workshop registration, publications, accounting software, annual maintenance fee, state match, and payroll. All expenditures made from the DWTAF were for eligible DWSRF purposes. The balance of the DWTAF at EOY was \$13,917,778. The balance of the DWTAF at EOY SFY 2023 was \$10,801,798.

Marketing

During SFY24, the DWSRF program participated in activities towards marketing, outreach, and technical assistance. A few of these activities for SFY24 included:

- Active participation in quarterly meetings of the Funding Agency Coordinating Team (FACT) – including the United States Department of Agriculture Rural Development (USDA-RD), OWRB, ORWA, Indian Health Services (IHS), Oklahoma Department of Commerce (ODOC), Communities Unlimited (CU), Oklahoma Development Finance Authority (ODFA), and Oklahoma Association of Regional Councils (OARC) – wherein invitations are extended to water systems with the most urgent technical and financial needs.
- ODEQ/OWRB presented, or assisted at a booth, at twenty-seven (27) conferences during SFY24.
- Monthly meetings and/or consultations by OK DWSRF staff with small systems on the PPL that are not yet “ready to proceed” to assist them to become “shovel ready”.

Green Project Reserve (GPR)

The GPR provision for the FFY23 Appropriations Bills states that the funds provided by this capitalization grant may, at the discretion of the recipient, be used for projects to address green infrastructure, water or energy improvements, or other environmentally innovative activities. ODEQ and OWRB did not provide subsidy for GPR projects during SFY24.

Affordability

The SFY24 OK DWSRF Annual Report notes that the DWSRF program provided subsidy totaling over \$9 Million to sixteen small communities (serving 10,000 people or fewer) meeting affordability criteria. These projects include planning, design, and construction projects. Therefore, the OK DWSRF program maintains a consistent pipeline of disadvantaged communities and incentives for application. All nineteen loans that closed in SFY24 meet the affordability criteria.

Emerging Contaminants

On September 14, 2022, ODEQ was awarded \$5,733,624 of their \$10,711,100 allotment in FFY22 IIJA EC funding. Funding was committed to the Garfield County Rural Water District #6 on September 28, 2023. This was the only EC loan closed in SFY24. Drawdowns in the amount of \$2.6 million have already been made for this grant, of which \$2,239,999.68 was to reimburse the Garfield project and the remainder for set-asides.

On September 21, 2023, ODEQ was awarded their \$11,104,000 FFY23 IIJA EC allotment. No loans have closed for this award as of the end of SFY24. \$187,851.64 has been drawn on this grant to reimburse set-aside expenses.

On September 9, 2024, ODEQ was awarded their \$11,104,000 FFY24 IIJA EC allotment. As a result, no loans had closed for this award as of the end of SFY24.

During the Annual Review discussion, ODEQ stated that they are still considering whether to apply for their FFY25 EC allotment, once the final allotment is announced. ODEQ is concerned that applying for the allotment would impact their unliquidated obligations.

Lead Service Line Replacement (LSLR)

On September 14, 2022, ODEQ was awarded their \$40,192,000 FFY22 IJIA LSLR funding. Funding has been committed to Altus Municipal Authority (III) and Oklahoma City Water Utility Trust (XI) (two phases/two loans). \$4,665,520.55 in loan and set-aside funding has been drawn on this grant.

On September 27, 2024, ODEQ was awarded their \$28,650,000 FFY23 IJIA LSLR funding, plus \$3,397,000 of reallocated FFY22 IJIA LSLR funding, for a total of \$32,047,000. Only \$44,886.73 in set-aside funding has been drawn on this grant.

ODEQ has not applied for their FFY24 LSLR allotment. During the Annual Review discussion, ODEQ stated that they are not planning on applying for their FFY24 LSLR allotment, until they close enough projects to spend down the FFY22 and FFY23 LSLR grants. ODEQ did not close any LSLR loans in SFY24.

Follow Up and Corrective Actions

The OK DWSRF continues to be one of the national leaders of the DWSRF program. The state's goals of addressing risks to public health and water quality objectives through the development and implementation of the OK DWSRF program appear to have been met in accordance with 2 CFR Part 200 administrative requirements for grants to state and local governments at the end of SFY24. Previous recommendations from SFY23 and new recommendations for the current reporting year are outlined in the following sections.

SFY23 Required Action Items and Recommendations

- 1. EPA Recommendation:** We encourage ODEQ and OWRB to continue focusing on improving the "Ratio of Undisbursed Loan Funds to Disbursements". Currently this indicator is better than the national average at 3.6 years compared to the national average of 3.7 years. As discussed in the *Maximizing Water Quality and Public Health Benefits by Ensuring Expedient and Timely Use of All State Revolving Fund Resources* memo, the EPA will use this indicator as the primary indicator to gauge disbursements. The target of two years will be viewed by the EPA as adequate performance, with programs at or under one year acknowledged for exceptional performance.

EPA Update: EPA commends ODEQ and OWRB for improving their "Ratio of Undisbursed Loan Funds to Disbursements". The SFY24 ratio improved to 2.6 years

2. **EPA Recommendation:** The April 14, 2014, memo *Drinking Water State Revolving Fund Unliquidated Reduction Strategy*, encouraged ‘complete draw down of funds from future years’ grants within two years from the date of the grant award.’ Although the program has historically been able to maintain close to two open grants, through various practices including transferring unused set-asides to the loan fund, the program currently has four open grants (FS-986814-20, FS-986814-21, FS-986814-22 and FS-986812-23). We encourage ODEQ to develop a plan to close the oldest grants that could include the transfer of remaining set-aside funds to the loan fund for available projects, maximize the use of set-asides for the State’s drinking water program, and other practices stated in the April 14, 2014, memorandum. Region 6 was pleased that in May the program submitted requests to transfer set-aside funds to the loan fund for grants FS-986814-20 and 4L-02F21101.

EPA Update: ODEQ submitted their Final Financial Report for grant FS-986814-20 to EPA on October 30, 2024. The grant was financially closed then by R6 Management Division and then closed programmatically on March 10, 2025.

3. **EPA Recommendation:** We commend the program for their project filing system that includes numerous program specific forms and checklists. In particular, the loan and financial information was easy to verify. However, reviewers struggled finding sufficient documentation regarding Davis Bacon Act wage rates. We encourage the program to make sure that every project file can document all of the program requirements.

EPA Update: During the SFY24 review, project officers again had difficulty identifying documentation to verify compliance with Davis Bacon wage rates. EPA Region 6 recommends the region provides training to ODEQ or have a conference call on the type of documentation necessary to verify compliance.

Current Year Action Items and Recommendations

1. **EPA Recommendation:** In SFY24, the ODEQ encountered difficulty hiring and retaining staff for open positions, forcing the program to hire outside the agency, only to encounter mixed results.

Action Items: EPA recommends that ODEQ develop a Staffing Plan to address vacant staff positions and reduce turnover. The plan could include a strategic approach to recruitment, succession planning, gap analysis and/or potentially internal restructuring.

2. **EPA Recommendation:** The Single Audit Act (SAA) of 1984, as amended, sets out requirements for recipients and sub-recipients of federal financial assistance. The implementing regulation states:
2 CFR § 200.501(b) Single audit. A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single audit conducted in accordance with paragraph (c) of this section.

For the two projects reviewed that met requirements for 'equivalency' projects, these projects must meet all SRF equivalency requirements including SAA requirements. These subrecipients must also determine annually if their expenditure of federal financial assistance received from all sources of federal funding equals \$750,000 or greater, thereby requiring them to conduct SAA audits. Sources of federal funding assistance may include SRF programs, other federal water infrastructure funding programs (e.g. USDA, CDBG, and EPA's WIFIA and Community Grants, among others), as well as health care, social services, highways, and education funding program.

Both ODEQ and OWRB may refer to EPA memo dated July 13, 2023, 'Clarification of Single Audit Requirements Under the Clean Water and Drinking Water State Revolving Fund Programs' for more information.

At the time of the review, Single Audits were not located in the equivalency project files reviewed. OWRB indicated that request for audit letters were sent to the three equivalency projects. These letters were provided to EPA. To date, OWRB has only provided EPA the Garfield County RWD #6's single audit.

Action Items:

EPA requests that OWRB provide EPA the respective audits upon their receipt for the SFY24 projects reviewed that met the SAA criteria, so EPA can make a full assessment of the project files. OWRB should refer to the July 13, 2023, clarification memo, to make sure the agency is complying with both CWSRF and DWSRF requirements regarding Single Audit requirements.

OWRB Response:

New Cordell UA did not expend more than \$750,000 from the DWSRF in FY 2024. A single audit nor a regular audit has been completed for FY 2024 for OWRB to verify if they had other federal funds that would have triggered the single audit. Lawton has provided a single audit since the onsite review was conducted. The OWRB team is still reviewing and can send EPA the audit once the review is complete. However, that has not been the normal practice. Based on the above, OWRB is not sure we agree to have this as an action item. Is it a requirement for us to send the single audits to EPA when OWRB receives them? They were not in the file at the time because they were either not required or complete yet. In general, there is a shortage of auditors in OK and some entities are behind in submitting audits.

EPA Response:

We're clarifying that because these projects were selected for the SFY24 review, we're requesting the complete file, including the SAA. EPA is not requesting that all single audits be provided to Region 6 on a regular basis going forward. On October 1, 2024, the \$750,000 went up to \$1,000,000 for all federal funds expended, not just DWSRF funds. .

Recent Available Resources

EPA recently provided updates to several guidance documents during SFY24 and SFY25. These documents include:

- A. Maximizing Water Quality and Public Health Benefits by Ensuring Expeditious and Timely Use of All State Revolving Fund Resources – January 2024.
- B. SRF Annual Review Guidance for EPA’s Annual Review of Drinking Water State Revolving Fund Programs – February 2025.
- C. Annual Review Checklist User Guide – February 2025.
- D. SRF Program Evaluation Report Template – February 2025.
- E. The State Revolving Fund Sources and Uses Best Practices Handbook – November 2024.
- F. Maximizing Infrastructure Investment Questions and Answers – November 2024.
- G. Timely and Expeditious Use of Funds Standard Operating Procedures for the SRF Programs – November 2024.
- H. Rescission of Investing in America Signage Term and Condition – December 2024.
- I. Requirements for State Revolving Fund Auditing and Subrecipient Monitoring - January 2025.

Additional guidance and updates may become available over the course of the fiscal year.