



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We performed this audit to determine:

- If Utah Water Quality State Revolving Fund's financial statements were fairly presented in all material respects;
- To what extent that Utah Water Quality State Revolving Fund's internal controls over financial reporting could be relied upon; and,
- Whether the Utah Water Quality State Revolving Fund complied with applicable laws and regulations.

Background

The requirement for audited financial statements was enacted to help ensure that State Revolving Fund programs had management practices, systems and controls in place to provide reliable information for managing the federally funded program.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

www.epa.gov/oig/reports/2005/20050808-2005-1-00144.pdf

Utah Department of Environmental Quality Water Quality State Revolving Fund Fiscal Year 2004 Financial Statements

What We Found

We rendered an unqualified opinion on the financial statements of Utah's Water Quality State Revolving Fund (SRF) for the fiscal year ended June 30, 2004.

We qualified our opinion on compliance with applicable laws and regulations because:

- The SRF entered into loans with 30-year repayment terms. The Clean Water Act requires loans to be repaid within 20 years.
- Utah violated Section 603(d) of the Clean Water Act by depositing hardship assessments of \$3,334,560 into the SRF and transferring hardship assessments of \$3,128,088 to the Hardship Fund.
- The Department of Environmental Quality (DEQ) disbursed \$479,961 from the SRF that was considered ineligible.
- The SRF needs to fully meet the Single Audit responsibilities for pass-through entities and ensure that loan recipients met the Single Audit requirements and findings are adequately addressed.

We noted weaknesses in internal controls. DEQ internal controls failed to prevent the SRF disbursement, recording and reporting of \$479,961 in ineligible assistance.

What We Recommend

We recommend that EPA:

- Require the DEQ to take the necessary steps to ensure proper review and approval of transactions, including the proper use of accounting codes, to further ensure SRF funds are used only when intended and for authorized purposes.
- Require Utah to modify the three loans with extended financing terms to comply with the Clean Water Act.
- Prohibit Utah from making loans with terms extending beyond 20 years.
- Cease allowing States to violate the Clean Water Act based on an Office of Water draft policy.
- Require Utah to transfer the remaining \$206,472 in hardship assessments in the SRF as well as any subsequent receipts, to the Hardship fund.
- Require Utah to make appropriate adjustments to accounts and procedures to deposit and account for the hardship assessment fees outside the SRF.
- Require Utah to implement a Single Audit Review and corrective action policy consistent with Federal Regulations.
- Require the DEQ to take steps to ensure that established review and approval procedures are understood and followed so that assistance is provided, recorded and reported by the appropriate program. Add procedures to ensure that all assistance recorded in the SRF are supported by documentation.