



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Site Visit Report

American Recovery and Reinvestment Act Site Visit of Las Marias Potable Water System Phase IIA Project, Las Marias, Puerto Rico

Report No. 11-R-0241

May 25, 2011



Report Contributors:

Jean Bloom
Glen Chabotar
Vanessa Rodriguez

Abbreviations

DBA	Davis-Bacon Act
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
OIG	Office of Inspector General
PRASA	Puerto Rico Aqueduct and Sewer Authority

Cover photo: Pipes at the Las Marias Potable Water System Phase IIA construction site, Las Marias, Puerto Rico. (Photo courtesy Constructora De Aguada, Inc.)

Hotline

To report fraud, waste, or abuse, contact us through one of the following methods:

e-mail: OIG_Hotline@epa.gov
phone: 1-888-546-8740
fax: 703-347-8330
online: <http://www.epa.gov/oig/hotline.htm>

write: EPA Inspector General Hotline
1200 Pennsylvania Avenue NW
Mailcode 8431P (Room N-4330)
Washington, DC 20460



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The U.S. Environmental Protection Agency, Office of Inspector General, conducts site visits of American Recovery and Reinvestment Act of 2009 (Recovery Act) funded clean water and drinking water projects. We selected the project in Las Marias, Puerto Rico, for review.

Background

The Puerto Rico Aqueduct and Sewer Authority (PRASA) received \$19.5 million in Recovery Act funds from the Puerto Rico Infrastructure Finance Authority under the Drinking Water State Revolving Program administered by the Puerto Rico Department of Health. The Las Marias Potable Water System Phase IIA project in Las Marias, Puerto Rico, received \$5,574,410 in Recovery Act funds, consisting of a \$3,189,359 grant and a \$2,385,051 loan.

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

The full report is at:
www.epa.gov/oig/reports/2011/20110525-11-R-0241.pdf

American Recovery and Reinvestment Act Site Visit of Las Marias Potable Water System Phase IIA Project, Las Marias, Puerto Rico

What We Found

We conducted an unannounced site visit of the Las Marias Potable Water System Phase IIA project in Las Marias, Puerto Rico, in August 2010. We toured the project site; interviewed personnel from PRASA and the Puerto Rico Department of Health, as well as the prime contractor's manager and employees; and reviewed documentation related to Recovery Act requirements.

Based on our site visit, no issues or concerns came to our attention that would require action from the Commonwealth of Puerto Rico, PRASA, or the U.S. Environmental Protection Agency.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

May 25, 2011

MEMORANDUM

SUBJECT: American Recovery and Reinvestment Act
Site Visit of Las Marias Potable Water System Phase IIA Project,
Las Marias, Puerto Rico
Report No. 11-R-0241

FROM: Arthur A. Elkins, Jr.
Inspector General

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is written over the printed name and title.

TO: Judith A. Enck
Regional Administrator, Region 2

This is our report on the subject site visit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency (EPA). The report summarizes the results of our site visit of the Las Marias Potable Water System Phase IIA project in Las Marias, Puerto Rico, funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

We performed this site visit as part of our responsibility under the Recovery Act. The purpose of our site visit was to determine whether the Puerto Rico Aqueduct and Sewer Authority complied with selected requirements of the Recovery Act pertaining to the Drinking Water State Revolving Fund program. The Puerto Rico Aqueduct and Sewer Authority received \$19.5 million in funding from the Puerto Rico Infrastructure Financing Authority, acting on behalf of the Commonwealth of Puerto Rico, under the Drinking Water State Revolving Fund program. The Las Marias project received \$5,574,410 in Recovery Act funds under the Drinking Water State Revolving Fund program.

The estimated direct labor and travel costs for this report are \$59,060.

Action Required

Because this report contains no recommendations, you are not required to respond to this report. The report will be made available at <http://epa.gov/oig>. If you or your staff have any questions regarding this report, please contact Melissa Heist, Assistant Inspector General for Audit, at (202) 566-0899 or heist.melissa@epa.gov; or Robert Adachi, Director of Forensic Audits, at (415) 947-4537 or adachi.robert@epa.gov.

Purpose

The purpose of our unannounced site visit was to determine the Puerto Rico Aqueduct and Sewer Authority's (PRASA's) compliance with selected requirements of the American Recovery and Reinvestment Act of 2009 (Recovery Act) that pertain to the Drinking Water State Revolving Fund (DWSRF) Program.

Background

U.S. Environmental Protection Agency awarded \$19.5 million in Recovery Act funds to the Commonwealth of Puerto Rico under the DWSRF program. The DWSRF program is administered by the Puerto Rico Department of Health and is assisted by the Puerto Rico Environmental Quality Board and the Puerto Rico Infrastructure Financing Authority. Puerto Rico Infrastructure Financing Authority entered into a financial agreement with PRASA to fund drinking water projects. The Las Marias Potable Water System Phase IIA project was selected to receive Recovery Act funds in the amount of \$5,574, 410, consisting of a \$3,189,359 grant and a \$2,385,051 loan. The loan has a 20-year maturity with an interest rate of 2 percent annum.

Scope and Methodology

Due to the time-critical nature of the Recovery Act requirements, we did not perform this site visit in accordance with generally accepted government auditing standards. Specifically, we did not determine whether previous audit work was completed in this area or assess PRASA's internal controls. As a result, we do not express an opinion on the adequacy of PRASA's internal controls or its compliance with all federal, state, or local requirements.

We conducted our site visit during the weeks of August 9 and August 16, 2010. During our visit, we:

1. Toured the construction project
2. Interviewed prime contractor employees and managers on site and personnel from PRASA and the Puerto Rico Department of Health
3. Reviewed documentation maintained by PRASA and the prime contractor on the following matters:
 - a. Buy American requirements under Section 1605 of the Recovery Act
 - b. Wage Rate (Davis-Bacon Act (DBA) requirements under Section 1606 of the Recovery Act
 - c. Contract procurement
 - d. Limit on funds and reporting requirements under Sections 1604 and 1512 of the Recovery Act

Results of Site Visit

Based on our site visit, no issues or concerns came to our attention that would require action from the U.S Environmental Protection Agency, Commonwealth of Puerto Rico, or PRASA. The results of our procedures are summarized below.

Buy American Requirements

We did not identify any issues regarding Buy American requirements. Based on our interviews and work performed, PRASA and the contractor are fully aware of the Buy American requirements under Section 1605 of the Recovery Act. The Buy American requirements were included in the contract bid and contract documents. Based on our physical observations of materials on site, and Internet research performed on the manufacturers, materials used for the project comply with Buy American requirements.

Wage Rate Requirements

We did not identify any issues or concerns regarding wage requirements under Section 1606 of the Recovery Act. Section 1606 of the Recovery Act requires all mechanics and laborers employed on projects funded directly by—or assisted in whole, or in part with—Recovery Act funds to be paid wages at rates no less than the locally prevailing rate, as determined by the U.S. Department of Labor. These wages are commonly known as DBA wages and generally include a requirement that employers submit certified payroll reports to the Department of Labor. To comply with DBA requirements, contractors signed weekly payrolls certifying compliance with DBA rates and submitted copies to PRASA. We selected two pay periods for testing: the pay period ending August 15, 2010, and the pay period ending July 18, 2010. We reviewed certified payrolls and verified that the contractor was at least paying its employees the minimum required DBA wage rates.

Contract Procurement

We did not identify any issues or concerns with contract procurement or unfair bidding practices. The construction contract was competitively awarded based on public advertisement. Twelve bids were received and—based on the recommendation of its bid board—PRASA awarded the contract to the lowest responsive bidder. We contacted three of the unsuccessful bidders and confirmed their participation in the bidding process. Overall, the bidders contacted were satisfied with the procurement process and no issues were identified.

Limit on Funds and Reporting Requirements

We did not identify any issues of concern. Under Section 1604 of the Recovery Act, no funds can be used for any casino, other gambling establishment,

aquarium, zoo, golf course, or swimming pool. We reviewed the prime contract to verify that it contained the appropriate language to comply with Section 1604 of the Recovery Act.

We did not identify any issues regarding PRASA's ability to meet Recovery Act financial management and reporting requirements. We interviewed PRASA personnel to obtain an understanding of the reporting process. We also reviewed an example of the tables that include the Section 1512 required reporting information submitted by PRASA to the Environmental Quality Board and the Puerto Rico Department of Health.

Recommendations

We have no recommendations.

Recipient Response and Office of Inspector General Comment

As we have no recommendations, we did not require or receive written comments to the draft report. We held an exit conference on April 26, 2011. No comments were provided during the exit conference.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
No recommendations.							

¹ O = recommendation is open with agreed-to corrective actions pending
 C = recommendation is closed with all agreed-to actions completed
 U = recommendation is undecided with resolution efforts in progress

Distribution

Office of the Administrator
Regional Administrator, Region 2
Director, Grants and Interagency Agreements Management Division,
Office of Administration and Resources Management
Agency Followup Official (the CFO)
Agency Followup Coordinator
General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for External Affairs and Environmental Education
Audit Followup Coordinator, Region 2
Public Affairs Officer, Region 2
Executive Infrastructure Director, Puerto Rico Aqueduct and Sewer Authority
Director, Potable Water Division, Puerto Rico Department of Health
Director, Caribbean Environmental Protection Division, Region 2