



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 the Comprehensive Sewer System Rehabilitation, Subsystem PS-5, Saugus, Massachusetts

Report No. 11-R-0192

March 29, 2011



Report Contributors:

Iantha Maness
Bill Spinazzola
John Trefry

Cover photo: Service lateral connection pipe liner, Saugus, Massachusetts. (EPA OIG photo)



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The U.S. Environmental Protection Agency's Office of Inspector General conducts site visits of American Recovery and Reinvestment Act of 2009 (Recovery Act) clean water and drinking water projects. We selected a project in Saugus, Massachusetts, for review.

Background

Project costs for the Saugus sewer system rehabilitation project totaled \$2,504,691. The town received a \$2,290,239 loan from the Massachusetts Clean Water State Revolving Fund to fund the project. Using funds provided under the Recovery Act, the Clean Water State Revolving Fund provided principal forgiveness of \$210,702. The town is required to repay the remaining loan amount of \$2,079,537.

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/2011/20110329-11-R-0192.pdf

American Recovery and Reinvestment Act Site Visit of the Comprehensive Sewer System Rehabilitation, Subsystem PS-5, Saugus, Massachusetts

What We Found

We conducted an unannounced site visit of the Comprehensive Sewer System Rehabilitation, Subsystem PS-5, in Saugus, Massachusetts, in December 2009. We toured the project site; interviewed town representatives, engineering personnel, and contractor personnel; and reviewed documentation related to Recovery Act requirements.

Based on our visit, no significant issues or concerns came to our attention that would require immediate action by the U.S. Environmental Protection Agency, the State of Massachusetts, or the Town of Saugus.



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

THE INSPECTOR GENERAL

March 29, 2011

MEMORANDUM

SUBJECT: American Recovery and Reinvestment Act Site Visit of the
Comprehensive Sewer System Rehabilitation, Subsystem PS-5,
Saugus, Massachusetts
Report No. 11-R-0192

FROM: Arthur A. Elkins, Jr.
Inspector General

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

TO: Curt Spalding
Regional Administrator, Region 1
U.S. Environmental Protection Agency

This is our report on the subject site visit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The report summarizes the results of our site visit of the Town of Saugus, Massachusetts, sewer system rehabilitation, subsystem PS-5.

We conducted an unannounced site visit of the Comprehensive Sewer System Rehabilitation, Subsystem PS-5 in Saugus, Massachusetts, in December 2009. The purpose of our site visit was to determine the town's compliance with selected requirements of the American Recovery and Reinvestment Act of 2009 (Recovery Act) pertaining to the Clean Water State Revolving Fund program. The Massachusetts Clean Water State Revolving Fund loaned \$2,290,239 to the town to help fund the project. The total project costs were \$2,504,691. The Recovery Act provided principal forgiveness of \$210,702.

The estimated direct labor and travel costs for this report are \$92,317.

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, Product Line Director, at (415) 947-4537 or adachi.robert@epa.gov.

Purpose

The purpose of our review was to determine whether the Town of Saugus, Massachusetts, is in compliance with selected requirements of the American Recovery and Reinvestment Act of 2009 (Recovery Act) under the Clean Water State Revolving Fund Program.

Background

The town received a \$2,290,239 loan from the Massachusetts Clean Water State Revolving Fund to help fund the Saugus Comprehensive Sewer System Rehabilitation, Subsystem PS-5, project. The total project costs were \$2,504,691. The Recovery Act provided principal forgiveness of \$210,702. The town will repay the remaining loan of \$2,079,537.

Only three of five construction contracts were awarded at the time of our site visit. Contract 10-09, for pipe lining and spot replacement of sewers, was substantially complete. Contract 11-09, for service lateral connection lining, was active. Contract 12-09, for manhole rehabilitation, was also active. Vendors were selected for contracts 15-09 and 16-09, but the contracts had not been finalized.

Scope and Methodology

Due to the time-critical nature of Recovery Act requirements, we did not perform this assignment in accordance with generally accepted government auditing standards. Specifically, we did not perform certain steps that would allow us to obtain information to assess the town's internal controls and any previously reported audit concerns. As a result, we do not express an opinion on the allowability of costs incurred, the adequacy of internal controls, or compliance with all federal, state, or local requirements.

We conducted our site visit on December 1–3, 2009. During our visit, we:

1. Toured the project
2. Interviewed town representatives, representatives of the town's engineering firm, and the prime contractor and subcontractor
3. Reviewed documentation maintained by the town and its contractors on the following matters:
 - a. Buy American requirements under Section 1605 of the Recovery Act
 - b. Wage rate requirements (Davis-Bacon Act) under Section 1606 of the Recovery Act

- c. Reports on Use of Funds under Section 1512 of the Recovery Act
- d. Contract procurement

Results of Site Visit

Based on our visit, no significant issues or concerns came to our attention that would require immediate action by the U.S. Environmental Protection Agency, the State of Massachusetts, or the Town of Saugus. The results of our procedures are summarized below.

Buy American Requirements

We did not identify any significant issues regarding Buy American requirements. The town and its contractors are fully aware of the Buy American requirements under Section 1605 of the Recovery Act. Based on our physical observations of the site, materials used for the project comply with Buy American requirements.

With the exception of one contract, the Buy American requirements were included in the original bid specifications and contract documents. The Buy American requirements were excluded from the original bid specifications for contract 12-09. The original bid specifications for contract No. 12-09 were dated July 31, 2009, 5 months after the Recovery Act became law. The specifications were advertised on August 5, 2009, bids were opened on August 19, 2009, and a contract was signed on October 26, 2009. On October 19, 2009, the Buy American requirements were added to the contract as a no-cost change order.

Wage Rate Requirements

We did not identify any significant issues in our review of wage rate requirements. Saugus and its construction contractor, National Water Main Cleaning Co., are complying with the wage rate requirements of Section 1606 of the Recovery Act. Saugus included the wage rate requirement of the Recovery Act in its construction contracts. We compared labor rates on the contractor's certified payroll to the labor rates of the National Water Main Cleaning Co. employees that we interviewed during our site visit. We did not note any significant exceptions. We also compared labor rates on the certified payroll to the Massachusetts and New Jersey Davis-Bacon Wage Decision for heavy construction types. We noted that the employees are paid wages in excess of the required wages.

Financial Management and Reporting

We did not identify any issues regarding the town's ability to meet Recovery Act financial management and reporting requirements. We determined that the town can provide accounting and financial information required by the Recovery Act Section 1512 and Office of Management and Budget guidance M-09-21.

Contract Procurement

We did not identify any issues regarding the procurement of the construction contracts. The town is complying with its stated procurement practices for construction contracts and procured its contracts competitively. The town advertises requests for bids in local newspapers and a state-maintained database. The construction contract was competitively awarded based on public advertisement. Based on the recommendation of its engineering firm, the town awarded contracts to the lowest bidder. Unsuccessful bidders confirmed their participation in the bidding process.

Recommendations

We have no recommendations.

Response and Office of Inspector General Comment

Because there were no recommendations, the town and the region did not provide comments to the draft report and did not require an 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 1
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 1
Public Affairs Officer, Region 1
Director, Division of Municipal Services, Massachusetts Department of
Environmental Protection
Town Manager, Town of Saugus, Massachusetts