U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Site Inspection Report

American Recovery and Reinvestment Act Site Inspection of Water Main Extension Project, Manchester Water Works, Manchester, New Hampshire

Report No. 10-R-0080

March 17, 2010

RECOVERY.GOV

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Cover photo: Pipes for water main extension project, Goffstown, New Hampshire. (EPA OIG photo)

U.S. Environmental Protection Agency
Office of Inspector General

10-R-0080
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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 clean water and drinking water projects. We selected a Manchester Water Works project for review.

Background

The City of Manchester, New Hampshire, acting by and through Manchester Water Works, received a $2,536,087 loan from the New Hampshire Department of Environmental Services under the Drinking Water State Revolving Fund program. The loan included up to $1,268,043 in Recovery Act funds for principal forgiveness. The purpose of the loan is to extend and install water main pipes in the Lynchville Park and Danis Park areas of Goffstown, New Hampshire.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2010/20100317-10-R-0080.pdf

American Recovery and Reinvestment Act Site Inspection of Water Main Extension Project, Manchester Water Works, Manchester, New Hampshire

What We Found

We conducted an on-site inspection at Manchester Water Works, Manchester, New Hampshire, in October 2009. As part of our inspection, we toured the Lynchville Park and Danis Park water main extension project in Goffstown, New Hampshire; conducted interviews of City, contractor, and subcontractor personnel; and reviewed documentation related to Recovery Act requirements.

Based upon our on-site inspection, nothing came to our attention that would require action from the City of Manchester or the U.S. Environmental Protection Agency.

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

OFFICE OF
INSPECTOR GENERAL

March 17, 2010

MEMORANDUM

SUBJECT: American Recovery and Reinvestment Act Site Inspection of Water Main Extension Project, Manchester Water Works, Manchester, New Hampshire
Report No. 10-R-0080

FROM: Melissa M. Heist
Assistant Inspector General for Audit

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 inspection of a Manchester Water Works, Manchester, New Hampshire, water main extension project.

We performed this site inspection as part of our responsibility under the American Recovery and Reinvestment Act. The purpose of our site inspection was to determine whether the Manchester Water Works, acting on behalf of the City of Manchester, complied with selected requirements of the Recovery Act pertaining to the Drinking Water State Revolving Fund program. The New Hampshire Department of Environmental Services approved the project, and the City of Manchester, through Manchester Water Works, received a $2,536,087 loan, including up to $1,268,043 in Recovery Act funds for principal forgiveness.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rate in effect at the time - is $61,185.

Action Required

Because this report contains no recommendations, you are not required to respond to this report. We have no objection to the further release of this report to the public. This report will be made available at http://epa.gov/oig. If you or your staff have any questions regarding this report, please contact Robert Adachi at (415) 947-4537 or adachi.robert@epa.gov, or Jean Bloom at (617) 918-1475 or bloom.jean@epa.gov.

Purpose

The purpose of our review was to determine whether the Manchester Water Works, acting on behalf of the City of Manchester, New Hampshire, complied with requirements for subrecipients of American Recovery and Reinvestment Act funds under the Drinking Water State Revolving Fund program.

Background

The State of New Hampshire and the City of Manchester, New Hampshire, acting by and through the Manchester Water Works, entered into a loan agreement under the Drinking Water State Revolving Fund program to extend municipal water service to the Lynchville Park and Danis Park areas of the Town of Goffstown, New Hampshire. Manchester Water Works is an enterprise fund of the City of Manchester, New Hampshire, and is governed by a Board of Water Commission appointed by the Board of Mayor and Alderman of the City. It is the State of New Hampshire's largest water utility, responsible for providing drinking water to the City of Manchester and portions of Auburn, Bedford, Derry, Goffstown, Hooksett, and Londonderry. The City received a $2,536,087 loan from the New Hampshire Department of Environmental Services, including up to $1,268,043 in Recovery Act funds for principal forgiveness. Manchester Water Works, acting on behalf of the City of Manchester, is responsible for the project.

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. We did not determine whether previous audit work was completed in this area or assess the internal controls of Manchester Water Works or the City. As a result, we do not express an opinion on the adequacy of the internal controls of Manchester Water Works or the City, or the compliance of either entity with all federal, State, or local requirements.

We conducted an on-site inspection on October 14-15, 2009. We limited the scope of our review to the following steps:

1. Touring the project
2. Conducting interviews of Manchester Water Works, contractor, and subcontractor personnel
3. Reviewing documentation maintained by Manchester Water Works or its contractors on the following matters:
    a. Buy American requirements under Section 1605 of the Recovery Act
    b. Davis-Bacon Act wage requirements under Section 1606 of the Recovery Act
    c. Financial Management and Reporting Requirements under Section 1512 of the Recovery Act
    d. Contract procurement

Results of Site Inspection

Based upon our site inspection, nothing came to our attention that would require action from the City of Manchester or the U.S. Environmental Protection Agency. We have summarized specific inspection results below.

Buy American Requirements

We reviewed Manchester Water Works' procedures for ensuring the materials used are in compliance with Buy American requirements, and no issues came to our attention. The contractor certified the products, and Manchester Water Works has inspectors onsite to verify the materials used are manufactured in the United States.

Davis-Bacon Act

We reviewed Manchester Water Works' compliance with the Davis-Bacon Act, and no issues came to our attention. To comply with Davis-Bacon Act requirements, contractors signed weekly certified payrolls to certify compliance with Davis-Bacon Act rates. The contractors submitted certified payroll reports to the Manchester Work Works' project engineer. The engineer then forwarded the payroll reports to the State. We reviewed certified payrolls and verified compliance with Davis-Bacon Act rates.

Financial Management and Reporting

We reviewed the loan agreement between the State of New Hampshire and the City of Manchester through Manchester Water Works and obtained an understanding of the expenditure payment process from Manchester Water Works' Financial Administrator. No issues came to our attention. The Board of Water Commissioners approved the projects. The projects are being funded through the Drinking Water State Revolving Fund, with a portion of the funds provided under the Recovery Act. The Town of Goffstown has agreed to pay back the loan and there will be no cost to Manchester Water Works.

We obtained copies of the Recovery Act jobs created/retained reports submitted to the New Hampshire Department of Environmental Services by Manchester Water Works to determine the process the subrecipient is using to provide information to the State to prepare the report required under Section 1512(c) of the Recovery Act. Based on our review of the reports, the information provided meets Recovery Act requirements.

Contract Procurement

We reviewed Manchester Water Works' procurement of its contractors, and no issues came to our attention. Manchester Water Works hired a construction contractor to extend and install water mains in the Lynchville Park area. The construction contract was solicited using the sealed-bid method. The contract was awarded to the lowest bidder as a fixed-price contract.

Recommendations

We have no recommendations.

Subrecipient's Response and Office of Inspector General Comment

On March 11, 2010, we held an exit conference with the New Hampshire Department of Environmental Services and Manchester Water Works to obtain their response to the discussion draft report. Both concurred with the information in the report. Both agreed the site inspection was a valuable and helpful experience that enhanced their understanding of the Recovery Act requirements. We have no further comments.

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

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