



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 Wastewater Treatment Facility Expansion, Town of Buckeye, Arizona

Report No. 11-R-0222

May 9, 2011



Report Contributors:

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Abbreviations

OMB Office of Management and Budget
WIFA Water Infrastructure Finance Authority of Arizona

Cover photo: Wastewater treatment facility expansion under construction at the Town of Buckeye, Arizona. (EPA OIG photo)

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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) clean water and drinking water projects. We selected the Town of Buckeye, Arizona, for review.

Background

The town is constructing a 1.5-million-gallon-per-day expansion of its wastewater treatment facility. The project is funded by a \$12,000,000 Clean Water State Revolving Fund loan from the Water Infrastructure Finance Authority of Arizona. The loan included \$6,372,285 in Recovery Act funds.

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/2011/20110509-11-R-0222.pdf

American Recovery and Reinvestment Act Site Visit of the Wastewater Treatment Facility Expansion, Town of Buckeye, Arizona

What We Found

We conducted an unannounced site visit of the wastewater treatment facility expansion in the Town of Buckeye, Arizona, in October 2010. As part of our site visit, we toured the project, interviewed town representatives and contractor personnel, and reviewed documentation related to Recovery Act requirements. We did not identify any compliance issues with Buy American, wage rate, contract procurement, or funding requirements. However, we found that the town was not in compliance with reporting requirements for jobs created or retained for the 9-month period ended September 30, 2010. The town used incorrect and/or incomplete work-hour data to calculate jobs created or retained for quarterly reports covering the 6-month period ended June 30, 2010, and did not submit the report for the quarter ended September 30, 2010.

What We Recommend

We recommend that the Region 9 Regional Administrator require the Water Infrastructure Finance Authority of Arizona to direct the town to obtain, to the maximum extent possible, complete information on jobs created or retained with Recovery Act funding for the primary contractor and subcontractors; direct the town to correct the number of jobs created or retained for the quarterly reports; obtain the corrections for the reported number of jobs; maintain the corrected documentation in administrative records; and submit corrections to the federal government.

Region 9, the Water Infrastructure Finance Authority of Arizona, and the town agreed with the recommendations.



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

THE INSPECTOR GENERAL

May 9, 2011

MEMORANDUM

SUBJECT: American Recovery and Reinvestment Act Site Visit of the
Wastewater Treatment Facility Expansion, Town of Buckeye, Arizona
11-R-0222

FROM: Arthur A. Elkins, Jr.
Inspector General

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is placed to the right of the typed name.

TO: Jared Blumenfeld
Regional Administrator, Region 9

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 Wastewater Treatment Facility Expansion Project in the Town of Buckeye, Arizona.

We performed this site visit as part of our responsibility under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purpose of our site visit was to determine whether the town is in compliance with selected requirements of the Recovery Act pertaining to the Clean Water State Revolving Fund Program. The town received \$12,000,000 through a Clean Water State Revolving Fund loan for the project. The loan included \$6,372,285 in Recovery Act funds.

The estimated direct labor and travel costs for this report are \$129,368.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days, or on August 8, 2011. You should include a corrective action plan for agreed-upon actions, including milestone dates. Your response will be posted on the Office of Inspector General's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal. We have no

objection to the further release of this report to the public. This report will be available at <http://www.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) 945-4537 or adachi.robert@epa.gov.

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Purpose

The purpose of our unannounced site visit was to determine whether the Town of Buckeye, Arizona, complied with selected requirements of the American Recovery and Reinvestment Act of 2009 (Recovery Act) that pertain to the Clean Water State Revolving Fund Program.

Background

The town is constructing a 1.5-million-gallon-per-day expansion to its wastewater treatment facility. The project is funded by a Clean Water State Revolving Fund Program loan of \$12,000,000 from the Water Infrastructure Finance Authority of Arizona (WIFA). The loan included \$6,372,285 in Recovery Act funds.

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 previously reported audit concerns. As a result, we do not express an opinion about the adequacy of the town's internal controls or the town's compliance with all federal, state, or local requirements.

We conducted an unannounced site visit of the wastewater treatment facility project during October 4–6, 2010. During our site visit, we limited the scope of our review to the following steps:

1. Toured the project
2. Conducted interviews of town, contractor, and subcontractor personnel
3. Reviewed records maintained or provided by the town, its primary contractor for the project, and the State of Arizona to assess compliance with:
 - a. Buy American requirements under Section 1605 of the Recovery Act
 - b. Wage rate requirements under Section 1606 of the Recovery Act
 - c. Contract procurement requirements
 - d. Funding requirements under Section 1604 of the Recovery Act
 - e. Reporting requirements under Section 1512 of the Recovery Act

Results of Site Visit

Our site visit did not identify any compliance issues with Buy American, wage rate, contract procurement, or funding requirements. However, we found that the town's reporting for jobs created or retained was not accurate. The results of our site visit are summarized below.

Buy American Requirements

We did not identify any compliance problems related to Buy American requirements. We obtained an understanding of the procedure used for ensuring that the material for the project complies with Buy American requirements. We also reviewed Buy American certifications and other relevant documentation for higher-cost manufactured items used on the project. The documentation indicated that these materials met the requirements.

Wage Rate Requirements

We did not identify any compliance problems related to wage rate requirements. We compared the wage rate requirements for each employee of the primary construction contractor and its subcontractors with each employee's wages as reported on the certified payrolls for the pay periods ending August 14, 2010, and October 9, 2010. The review showed that the employees' wages complied with the wage requirements.

Contract Procurement Requirements

We did not identify any compliance problems related to the contract procurement process. The town awarded an \$11.5-million design and construction contract for the project. Arizona Revised Statute Title 34-603 establishes the procurement requirements for design and construction services contracts. Under Arizona Revised Statute Title 34-603, a design and construction services contract may be awarded to the highest-qualified contractor at a negotiated price. We found that the town awarded the construction contract at a negotiated price to the most qualified contractor.

Funding Requirements

We did not identify any compliance problems with funding limitations of the Recovery Act. We reviewed the town's loan documentation and inspected the project to ensure that the town complied with Section 1604 of the Recovery Act, which states that no Recovery Act funds can be used for any casino, other gambling establishment, aquarium, zoo, golf course, or swimming pool. Our review and site visit identified that the town was in compliance with Section 1604.

Reporting Requirements

The town was not in compliance with Recovery Act reporting requirements. The Recovery Act requires quarterly reporting for the number of jobs created and retained with Recovery Act funding. Office of Management and Budget (OMB) guidance on Recovery Act reporting provides instructions, criteria, and a

framework for meeting the quarterly reporting requirements. The OMB guidance specifies that the estimated total number of jobs funded by the Recovery Act is to be reported by recipients. The guidance also specifies that information should be collected from all subrecipients and vendors, to the maximum extent possible, to generate the most comprehensive and complete job impact numbers available.

We found that, in its computation of the number of jobs created or retained for quarterly reports covering the 6-month period ending June 30, 2010, the town did not include work-hour data for (1) primary construction contractor employees not subject to wage rate requirements, and (2) subcontractor employees. For the report covering the quarter ending June 30, 2010, the town also incorrectly used work-hour data for the months of March through May 2010 rather than data for April through June 2010. We also found that the town did not submit the report for the quarter ending September 30, 2010. As a result, the number of jobs created or retained reported by the town for the 9-month period covering January 1 through September 30, 2010, was based on incorrect and incomplete data, and was understated. We were unable to quantify the number of jobs underreported because the town did not obtain complete contractor and subcontractor work-hour information.

These reporting issues indicate that town staff involved in preparing the quarterly reports were not fully knowledgeable of the Recovery Act reporting requirements and/or did not ensure that the quarterly reports were prepared based on correct and complete contractor and subcontractor work-hour data. We were unable to confirm the cause or causes for the reporting issues because of the turnover of town staff involved in the reporting process.

OMB's Recovery Act guidance requires that recipients of Recovery Act funds maintain in their administrative files corrections of erroneous and missing data submitted in prior quarterly reports. The guidance also requires recipients to submit the corrections to the federal government at a time to be specified.

Recommendations

We recommend that the EPA Regional Administrator, Region 9, require WIFA to:

1. Direct the Town of Buckeye to obtain, to the maximum extent possible, complete information on jobs created or retained with Recovery Act funding for the primary contractor and subcontractors.
2. Direct the Town of Buckeye to correct the number of jobs created or retained for quarterly reports covering the period January 1 through September 30, 2010, and all subsequent periods with job reporting errors.

3. Obtain the corrections referenced in recommendation 2 from the Town of Buckeye and maintain the corrected documentation in administrative records.
4. Submit the corrections referenced in recommendation 2 for the Town of Buckeye to the federal government after a schedule has been established by future Recovery Act guidance.

Agency, Recipient, and Subrecipient Responses to Draft Report

We issued a discussion draft to EPA Region 9, the Town of Buckeye, and WIFA on April 11, 2011. Formal written comments were not requested. We held an exit conference on April 21, 2011, with the region, WIFA, and town to obtain their response to the discussion draft.

The town agreed with the findings in the discussion draft. The region and WIFA did not agree or disagree with the findings because they did not conduct the audit. However, the region said it had no reason to question the report, and WIFA commented that it did not have concerns with the discussion draft.

The region, WIFA, and town agreed with the recommendations. The town also said that it submitted corrected reports for jobs created or retained to WIFA on April 12, 2011. WIFA confirmed that it had received the corrected reports and said the reports were under review.

OIG Comment on Responses

The region will need to include a corrective action plan for the recommendations, including milestone dates, in its written response to this report.

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
1	3	Require WIFA to direct the Town of Buckeye to obtain, to the maximum extent possible, complete information on jobs created or retained with Recovery Act funding for the primary contractor and subcontractors.	O	Region 9 Regional Administrator			
2	3	Require WIFA to direct the Town of Buckeye to correct the number of jobs created or retained for quarterly reports covering the period January 1 through September 30, 2010, and all subsequent periods with job reporting errors.	O	Region 9 Regional Administrator			
3	4	Require WIFA to obtain the corrections referenced in recommendation 2 from the Town of Buckeye and maintain the corrected documentation in its administrative records.	O	Region 9 Regional Administrator			
4	4	Require WIFA to submit the corrections referenced in recommendation 2 for the Town of Buckeye to the federal government after a schedule has been established by future Recovery Act guidance.	O	Region 9 Regional Administrator			

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

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Interim Director, Water Infrastructure Finance Authority of Arizona
Town Manager, Town of Buckeye, Arizona
Water Resources Director, Town of Buckeye, Arizona