



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 La Plata Water Treatment Plant Phase II Project, Aibonito, Puerto Rico

Report No. 11-R-0232

May 23, 2011



**Report Contributors:**

Jean Bloom  
Jessica Knight  
Glen Chabotar  
Vanessa Rodriguez-Moya

**Abbreviations**

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

**Cover photo:** American Recovery and Reinvestment Act of 2009 construction activity at the La Plata Water Treatment Plant Phase II Project site, Aibonito, Puerto Rico.  
(EPA OIG photo)

## Hotline

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

**e-mail:** [OIG\\_Hotline@epa.gov](mailto: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 (EPA), 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 Aibonito, Puerto Rico, for review.

## Background

The Puerto Rico Aqueduct and Sewer Authority (PRASA) received \$19.5 million in funding under the Drinking Water State Revolving Fund Program from the Puerto Rico Infrastructure Financing Authority, acting on behalf of the Commonwealth of Puerto Rico. The funding agreement included a \$2,606,900 loan of 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/2011/20110523-11-R-0232.pdf](http://www.epa.gov/oig/reports/2011/20110523-11-R-0232.pdf)

## ***American Recovery and Reinvestment Act Site Visit of the La Plata Water Treatment Plant Phase II Project, Aibonito, Puerto Rico***

### **What We Found**

We conducted an unannounced site visit of the La Plata Water Treatment Plant Phase II Project in Aibonito, Puerto Rico, in August 2010. We toured the project site; interviewed personnel from PRASA, its subcontracted field inspector, the Puerto Rico Department of Health, and the contractor's managers and employees; and reviewed documentation related to Recovery Act requirements.

During our review, we were unable to determine the total hours worked for employees due to variances in labor hours reported on certified payroll reports and employee pay stubs. As a result, we could not determine compliance with the wage rate requirements or reporting requirements under the Recovery Act.

### **What We Recommend**

We recommend that the Regional Administrator, Region 2, require that PRASA reconcile the payroll hours reported, verify that previously reported Section 1512 information reflects actual hours worked, and verify that future hours reported are supported by payroll reports and pay stubs. We also recommend that the Regional Administrator review PRASA's reconciliation and verification responses and ensure compliance with Sections 1512 and 1606 of the Recovery Act. Region 2, PRASA, and the Puerto Rico Department of Health agreed with all findings and recommendations.



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

THE INSPECTOR GENERAL

May 23, 2011

**MEMORANDUM**

**SUBJECT:** American Recovery and Reinvestment Act Site Visit of the  
La Plata Water Treatment Plant Phase II Project, Aibonito, Puerto Rico  
Report No. 11-R-0232

**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:** 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 La Plata Water Treatment Plant Phase II Project in Aibonito, 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 funding agreement included a \$2,606,900 loan of Recovery Act funds for the Aibonito project.

The estimated direct labor and travel costs for this report are \$77,599.

**Action Required**

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days, or by August 22, 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](mailto:heist.melissa@epa.gov); or Robert Adachi, Director of Forensic Audits, at (415) 947-4537 or [adachi.robert@epa.gov](mailto:adachi.robert@epa.gov).

# *Table of Contents*

---

<b>Purpose</b> .....	1
<b>Background</b> .....	1
<b>Scope and Methodology</b> .....	1
<b>Results of Site Visit</b> .....	1
Buy American Requirements.....	2
Wage Rate Requirements.....	2
Contract Procurement.....	3
Limit on Funds and Reporting Requirements.....	3
<b>Recommendations</b> .....	4
<b>Agency, Recipient, and Subrecipient Responses to Draft Report</b> .....	4
<b>OIG Comment on Responses</b> .....	4
<b>Status of Recommendations and Potential Monetary Benefits</b> .....	5

## **Appendix**

<b>A Distribution</b> .....	6
-----------------------------	---

## **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**

The La Plata Water Treatment Plant Phase II Project in Aibonito, Puerto Rico, includes various improvements to the local drinking water treatment plant. The project is funded as part of a \$19.5 million funding agreement under the DWSRF Program from the Puerto Rico Infrastructure Financing Authority, acting on behalf of the Commonwealth of Puerto Rico. The funding agreement includes a \$2,606,900 loan of Recovery Act funds for the Aibonito project.

## **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 perform certain steps that would allow us to obtain information to assess PRASA's internal controls and any previously reported audit concerns. As a result, we do not express an opinion on the adequacy of PRASA's internal controls or its compliance with federal, state, or local requirements.

We conducted an unannounced site visit during the week of August 9, 2010. During our visit we:

1. Toured the project site
2. Interviewed employees and managers on site, personnel from PRASA, its subcontracted field inspector, 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 requirements (Davis-Bacon Act (DBA) 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**

During our site visit, we were unable to determine whether the contractor was in compliance with wage rate requirements under Section 1606 of the Recovery Act,

involving DBA. We were also unable to determine whether PRASA was in compliance with Section 1512 of the Recovery Act. We summarize the specific site visit results below.

### ***Buy American Requirements***

We did not identify any Buy American issues of concern beyond those identified by PRASA. Our review of Buy American compliance was limited because PRASA was working to address Buy American issues previously identified for this project. As part of its Buy American oversight, PRASA conducts site visits at each project site and inventories all materials and equipment. PRASA officials then review all supporting material and equipment submittals and identify any issues and areas of noncompliance. PRASAs' Buy American compliance review is summarized in a project-specific summary table. According to PRASA, the Buy American issues for this project involve instances in which the contractor certifications are not complete or the certifications do not comply with Buy American requirements. As a result of these issues, PRASA has withheld payment from the contractor until the noncompliance is addressed.

PRASA provided the Office of Inspector General with a copy of its November 2010 summary table for the La Plata project. The table provides a detailed summary for each submittal and identifies multiple instances of incomplete documentation. We reviewed the supporting documentation for a sample of submittals to verify the accuracy and completeness of PRASA's Buy American review. Based on our review of the provided documentation, we found that PRASA's Buy American summary table accurately reflected what was provided by the contractor and made accurate determinations regarding Buy American compliance.

### ***Wage Rate Requirements***

We were unable to determine whether the contractor was in compliance with the wage rate requirements 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 U.S. Department of Labor. While we found that the contractor was paying at least the required hourly prevailing wage, we were unable to verify whether the hours reported on the certified payroll reports were accurate. We reviewed certified payroll reports and corresponding pay stubs for five pay periods and found 12 out of 34 instances in which the number of hours worked reported on the certified payroll report did not match the number of hours reported on the pay stubs, as shown in Table 1.



**Table 1: Hour variations between certified payroll reports and pay stubs**

Incident	Pay period ending	Certified payroll hours	Pay stub hours	Variance
1	7-24-10	0 overtime	1 overtime	1 hour
2	7-24-10	0 overtime	1 overtime	1 hour
3	7-24-10	40 regular	37 regular	3 hours
4	7-31-10	40 regular	37 regular	3 hours
5	7-31-10	6 overtime	6.5 overtime	0.5 hour
6	7-31-10	31 regular	23 regular	8 hours
7	8-07-10	14 regular	13 regular	1 hour
8	8-07-10	0 overtime	2 overtime	2 hours
9	8-07-10	40 regular	32 regular	8 hours
10	8-07-10	0 overtime	2 overtime	2 hours
11	8-14-10	34 regular	37 regular	3 hours
12	8-14-10	34 regular	37 regular	3 hours

Source: OIG analysis of data provided by the contractor.

According to the contractor, the discrepancy in hours occurred because the pay stubs and the certified payroll reports are prepared by different people, who at times kept separate records. We could not determine which hours reported were correct because of insufficient supporting documentation. The contractor stated that the hours reported on the pay stubs are the correct hours but did not provide any supporting documentation to substantiate this claim. Because we could not determine the total hours worked for each employee, we could not verify that employees were paid DBA wages for each hour worked, and thus, we could not make a determination regarding compliance with Recovery Act wage rate (DBA) requirements.

### ***Contract Procurement***

We did not identify any issues with contract procurement or unfair bidding practices. PRASA competitively awarded the construction contract based on public advertisement. Twelve bids were received, and PRASA awarded the contract to the lowest responsive bidder. A sample of unsuccessful bidders confirmed their participation in the bidding process.

### ***Limit on Funds and Reporting Requirements***

We did not identify any issues or concerns with PRASA's compliance with Section 1604 requirements, which state that no Recovery Act funds can be used for any casino, other gambling establishment, aquarium, zoo, golf course, or swimming pool. We reviewed the prime contract, scope of work, and project cost breakdown, and inspected the project site to ensure that PRASA complied with Section 1604 of the Recovery Act.

We were unable to determine whether PRASA is in compliance with Section 1512 of the Recovery Act. We reviewed the process by which PRASA provides its Section 1512(c) reporting information as required by the loan agreement.

PRASA submits summary tables to the Puerto Rico Environmental Quality Board and the Puerto Rico Department of Health on a monthly basis. These tables provide the necessary information regarding project background, completion status, payments and reimbursements, and jobs created and retained. PRASA compiled the jobs created and retained information using the employee hours reported in the certified payroll reports. Because we could not reconcile the certified payroll hours to supporting documentation, we could not confirm whether jobs created and retained information reported to the Commonwealth of Puerto Rico were accurate and/or reliable. Therefore, we were unable to determine PRASA's compliance with Section 1512.

## **Recommendations**

We recommend that the Regional Administrator, Region 2, require that PRASA:

1. Reconcile the hours reported on the certified payroll reports and the corresponding pay stubs for all pay periods reported under the project and submit the reconciliation to the Regional Administrator, Region 2.
2. Using the results of the reconciliation from recommendation 1, verify that previously reported Section 1512 jobs created and retained information reflects the actual hours worked on the project.
3. Verify that future hours reported under this project are supported by certified payroll reports and pay stubs.

We also recommend that the Regional Administrator, Region 2:

4. Review PRASA's reconciliation and verification in response to recommendations 1 and 2 and take the appropriate actions to ensure compliance with Sections 1512 and 1606 of the Recovery Act.

## **Agency, Recipient, and Subrecipient Responses to Draft Report**

We issued a discussion draft on March 30, 2011. Formal written comments were not requested. We held an exit conference on April 19, 2011, with Region 2, PRASA, and the Puerto Rico Department of Health to obtain their verbal comments on the report.

## **OIG Comment on Responses**

Region 2, PRASA, and the Puerto Rico Department of Health agreed with all findings and recommendations.

## **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	4	Require that PRASA reconcile the hours reported on the certified payroll reports and the corresponding pay stubs for all pay periods reported under the project and submit the reconciliation to the Regional Administrator, Region 2.	O	Regional Administrator, Region 2			
2	4	Require that PRASA, using the results of the reconciliation from recommendation 1, verify that previously reported Section 1512 jobs created and retained information reflects the actual hours worked on the project.	O	Regional Administrator, Region 2			
3	4	Require that PRASA verify that future hours reported under this project are supported by certified payroll reports and pay stubs.	O	Regional Administrator, Region 2			
4	4	Review PRASA's reconciliation and verification in response to recommendations 1 and 2 and take the appropriate actions to ensure compliance with Sections 1512 and 1606 of the Recovery Act.	O	Regional Administrator, Region 2			

<sup>1</sup> 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