



At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) received a hotline complaint regarding the Hawaii Department of Health (DOH). The complaint alleged that Hawaii DOH pools its funds from the Drinking Water State Revolving Fund (DWSRF) program with Hawaii Department of Transportation funds. The complaint also alleged that the EPA continues to fund the state's DWSRF program even though it has 10 open grants with \$30 million in unspent funds, of which \$5 million is not committed. Our objective was to determine the validity of the allegations and recommend corrective actions to address the allegations, as appropriate.

This report addresses the following EPA goals or cross-agency strategies:

- *Protecting America's waters.*
- *Launching a new era of state, tribal, local and international partnerships.*

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Hawaii Department of Health Needs to Reduce Open Grants and Unspent Funds

What We Found

We found no evidence to support the allegation that Hawaii DOH pools its DWSRF with Hawaii Department of Transportation funds, nor did we find indications of improper shifting of funds between the DWSRF and other state programs.

Hawaii DOH needs to spend \$12 million by September 30, 2016, to meet the agency's target for DWSRF funding utilization.

We confirmed that Hawaii DOH had 10 open grants in August 2015, as well as a large amount of unspent funds. The 10 open grants far exceeded the national average of four, and the agency funding utilization target of two. We learned that Hawaii DOH did not use the EPA's preferred first-in-first-out method to fund projects under the 10 open grants. Rather, Hawaii DOH funded each project under a specific grant. Therefore, any project delay would limit Hawaii DOH's ability to spend funds, and grants may not be closed as expeditiously as anticipated. A limited number of customers and the funding of projects not ready to proceed may have contributed to the unspent funds issue.

Hawaii DOH has closed four grants since the complaint, and has taken steps to significantly reduce the unspent funds from \$22.3 million in August 2015 to \$15.09 million as of April 1, 2016. However, additional actions are needed to further reduce the open grants and spend the funds more efficiently and expeditiously, as required under federal regulations and grant terms and conditions, and to meet the agency's DWSRF funding utilization target.

Region 9 was aware of these matters, and has issued a Notice of Non-Compliance to Hawaii DOH. Hawaii DOH has established a corrective action plan to address the noncompliance. In addition, Region 9 has an ongoing management study to identify and address the root causes for these issues.

Recommendation and Planned Corrective Actions

We recommend that the Regional Administrator, Region 9, reevaluate the status of fundable projects and Hawaii DOH's progress on implementing the corrective action plan items, prior to awarding the fiscal year 2016 allotment of \$8,312,000 and any future award, until Hawaii DOH meets the agency's funding utilization target. Hawaii DOH concurred with our findings and recommendation, but requested updates to reflect the status of open assignments and unspent funds. We have incorporated the changes into the report where appropriate. Since Region 9 has not yet responded to the recommendation, the recommendation remains unresolved.