



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

MEMORANDUM

SUBJECT: EPA Region 9 Written Response to Findings and Recommendations of
OIG Hotline Report: Hawaii Department of Health Needs to Reduce
Open Grants and Unspent Funds
Report Number: 16-P-0218

AUG 11 2016

FROM: Serena A. McIlwain, 
Assistant Regional Administrator, Region 9

TO: John M. Trefry,
Director, Forensic Audits,
Office of Inspector General

At your request, Region 9 has reviewed the subject audit recommendation identified in your transmittal memo dated June 28, 2016. We are providing you our proposed management decision on the finding and recommendation contained in your final report.

Recommendation 1:

Reevaluate the status of the fundable projects and Hawaii DOH's progress on implementing the corrective action plan items prior to awarding the FY2016 allotment of \$8,321,000 and any future award. The reevaluation should continue until Hawaii DOH meets the agency's funding utilization target.

Region 9 Response:

Region 9 has monitored HDOH's implementation of the Corrective Action Plan (CAP) and reevaluated the award of EPA allotments based on HDOH's attainment of the financial milestones associated with the CAP. We will continue to reevaluate the award of allotments throughout the term of the CAP.

On October 24, 2014, we took enforcement action against the Hawaii Department of Health for failure to comply with the requirement to commit funds as efficiently as possible and in an expeditious and timely manner, which applies to loan reports, interest, fee and

state match as well as federal funds. By this action, Hawaii Department of Health was required to submit and comply with a thirty point, two year CAP, with targets and deadlines for managerial, technical and financial improvements including reduction of unliquidated obligations.

In state fiscal year 2015, the HDOH failed to meet CAP targets and Region 9 withheld the FY2015 allotment until HDOH met interim requirements. On January 7, 2016, Dr. Virginia Pressler, Director of the Hawaii Department of Health, notified EPA that they had met and exceeded these required commitment and disbursement targets. We reviewed and confirmed that these targets were met during our site visit on January 5, 2016. At this time we concluded that HDOH had made satisfactory progress in implementing the CAP, and informed HDOH of the steps needed to apply successfully for the remainder of the FY2015 grant funds and the FY2016 grant funds. We awarded the withheld funds on March 3, 2016.

For state fiscal year 2016, the HDOH has submitted deliverables under the CAP documenting that they met the relevant CAP financial targets. HDOH exceeded the targets for the commitment of DWSRF funds to new loan agreements, the disbursement of DWSRF loan funds, and set-aside spending rate. Accordingly, we plan to award the FY2016 allotment to HDOH, provided they submit a complete application in a timely manner.

Region 9 will continue to oversee HDOH's implementation of the CAP and we will actively monitor their adherence to EPA's April 14, 2014, Drinking Water State Revolving Fund (DWSRF) Unliquidated Obligations (ULO) Reduction Strategy. We will continue to reevaluate the appropriateness of awarding annual allotments to HDOH, based on HDOH's success in implementing the CAP and ULO Strategy, until the CAP is closed.

Per EPA Order 2750, please let me know within 15 calendar days whether you find this response acceptable. Should you or your staff have any comments, questions, or concerns, please contact Magdalen Mak, Regional Audit Follow-up Coordinator at (415) 972-3773.

cc: Lela Wong, Auditor, OIG
Angela Bennett, Auditor, OIG