

Ask Me Anything! Federal Award Compliance 7/2/2025

Quick recap

Ashley conducted a training session on Federal award compliance related to State Revolving Loan Funds (SRFs), covering their basic structure, American Iron and Steel requirements, and various federal cross-cutters that apply to water infrastructure projects. She explained key requirements for water infrastructure projects, including qualifications-based selection, socioeconomic considerations, and Build America, Buy America requirements, while emphasizing the importance of proper documentation and compliance throughout the planning and construction phases. The session concluded with discussions on state-specific requirements for SRF programs, reimbursement processes, and financial capacity reviews, highlighting the need for early financial planning and compliance with federal and state rules.

Next steps

- Team: Join next training on Asset Management and Capital Improvement Plans on July 21st at 2 PM

Summary

Federal SRF Training Overview

Ashley conducted a training session on Federal award compliance related to State Revolving Loan Funds (SRFs), which are low-interest loan programs funded by the EPA and managed by states for water, wastewater, stormwater, and natural infrastructure projects. She explained the basic structure of SRFs, including how funds flow from the federal government to state programs, which require a 20% state match. Ashley noted that there are 102 SRF programs across the United States and territories.

AIS Requirements for SRF Projects

Ashley explained the American Iron and Steel (AIS) requirement for Drinking Water and Clean Water State Revolving Fund (DWSRF and CWSRF) projects, noting that it became permanent with the Bipartisan Infrastructure Law. She clarified that AIS applies to all SRF projects, regardless of funding source, and covers permanently installed materials, but not moving parts or certain listed products. Ashley emphasized that if any SRF funding is used in a project, the SRF requirements apply to the entire project, including non-SRF funded portions.

EPA Waiver Process and Certification

Ashley explained the process of obtaining waivers for projects from EPA requirements, noting that de minimis and national waivers are available but waivers beyond those two are challenging to obtain, especially for significant components. She highlighted the importance of proper certification letters from manufacturers, which must be specific to the project and job site, and emphasized that state inspectors should verify the authenticity of these letters and the products' U.S.-made labels during site visits.

Cross-Cutter Requirements for Federal Funding

Ashley explained the concept of cross-cutters, which are rules that apply across federal funding programs, including requirements related to endangered species and environmental protection. She discussed equivalency, which requires that federal funding received by a state program must be matched by an equivalent amount of project dollars that comply with these cross-cutter requirements. Ashley noted that most states, including those in New England, apply these requirements to all projects to simplify administration, as they typically handle smaller projects that cumulatively meet the funding threshold.

Qualifications-Based Selection for Water Projects

Ashley discussed several key requirements for water infrastructure projects, focusing on qualifications-based selection (QBS) for CWSRF projects, which must competitively procure engineering services based on qualifications rather than cost. She emphasized that states provide templates for QBS. Ashley advised completing QBS early, even if a project may not initially need SRF funding, as it maintains eligibility for future funding.

Socioeconomic Compliance in Construction Projects

Ashley discussed various socioeconomic crosscutters applicable to planning, design, and construction projects, including Davis-Bacon wage requirements, which mandate fair wages for contractors and subcontractors on federally funded projects. She highlighted the importance of DBE compliance, noting that while the federal process is a good faith effort, some states, like Rhode Island, require strict adherence.

Build America, Buy America Requirements

Ashley explained the Build America, Buy America (BABA) requirements, noting that while introduced with the bipartisan infrastructure law, it applies to any federal funding source, and is more expansive than the previous American Iron and Steel (AIS) requirements. She highlighted that BABA can only be applied to projects reporting federal funds use, with states often applying equivalency to all projects for simplicity. Ashley discussed the de minimis waiver applying to project costs rather than just material costs (like the AIS de

minimis waiver). Ashley also covered signage requirements for recognizing infrastructure constructed with public funds and a prohibition on using federal funds for equipment made in China, concluding with a transition to SRF-specific requirements.

DW and CWSRF Specific Requirements Overview

Ashley presented on program specific requirements for Clean Water and Drinking Water State Revolving Fund (SRF) programs, focusing on fiscal sustainability plans (FSPs) for treatment works projects and capacity determinations for drinking water projects. She explained that FSPs are self-certified and only apply to treatment works projects, while drinking water borrowers must demonstrate adequate technical, managerial and financial capacity. If states fail to follow its procedures, EPA may withhold up to 20% of the annual capitalization grant. Ashley also discussed best practices for project planning, design, and construction, emphasizing the importance of preliminary engineering reports and regular inspections, and noted that while these practices are not federal requirements, they are beneficial for SRF projects.

SRF Loan Reimbursement and Audits

Ashley presented on reimbursement and disbursement processes for SRF loans, explaining that states typically allow reimbursements only once per month and require proper documentation.

She discussed program audits, noting that EPA reviews approximately 2-3 loans annually in each state's program to ensure compliance with Federal and State rules.

Ashley also explained the single audit process, which requires communities incurring over \$1 million in federally reimbursable expenses to undergo a financial audit and review of policies and procedures, emphasizing the need for good record-keeping. She mentioned the possibility of conducting a training on single audits in the future.

James shared North Carolina's approach to financial capacity reviews, which involves scoring applications, reviewing financial audits, and working with the Legislative Commission to determine a utility's ability to repay loans.

The discussion highlighted the importance of early financial planning for SRF projects, with Wyoming and other states requiring pre-project public meetings and financial reviews before projects reach the construction phase.

Disclaimer: this summary was generated using AI but was reviewed and edited by a Human.

From the Chat:

<https://www.epa.gov/baba/build-america-buy-america-baba-overview>

C: You can never start the process of collecting these letters [AIS and BABA] too early. Sometimes they take awhile.

C: Great info!

C: Capacity Development webinar would be great!

C: NC requires Financial capacity for loans.

C: Thanks for the great presentation!

C: Thank you! That was great.

C: Really appreciate the information, these are always great presentations

Q: I have heard about programmatic audits with federal funding programs. Is that a thing with SRF?

A: Yes. EPA will conduct an 'audit' of each program every year, which results in a Performance Evaluation Report, or PER. In addition, each program must produce a Single Audit because they are incurring more than \$1M in federally reimbursable expenses during its fiscal year.

C: Utilize your State SRF staff. We are here to answer your questions and help you through the process. We're happy to help!

C: WY as well. If the utility cannot provide proof of financial ability to repay the loan, and generate enough revenue to pay for any increase in operating costs, the project loan will not be approved.

C: Financials are something we look at during the planning process for prospective applicants to SRF (we are sister agency to W[yoming]DEQ).