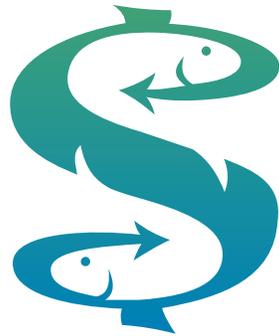

U.S. Environmental Protection Agency, Region 10



Clean Water

State Revolving Fund

Idaho Program Evaluation Report

State Fiscal Year 2014

March 2015



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10**

1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

MAR 09 2015

OFFICE OF
WATER AND WATERSHEDS

Mr. Barry Burnell, Administrator
Water Quality Division
Idaho Department of Environmental Quality
1410 North Hilton Street
Boise, Idaho 83706

RE: Program Evaluation Report for SFY 2014 Idaho Water Pollution Control Revolving Fund
(Clean Water State Revolving Fund)

Dear Mr. Burnell:

Enclosed is the U.S. Environmental Protection Agency Program Evaluation Report (PER) of the Idaho Water Pollution Control Revolving Fund for State Fiscal Year 2014. This report documents our review of the Clean Water State Revolving Fund (CWSRF) program, conducted January 7 – 8, 2015. Our review found that the Idaho Department of Environmental Quality (DEQ) continues to manage and implement a strong and effective CWSRF program.

DEQ's excellent Green Project Reserve (GPR) program continues to serve as a model for other state CWSRF programs. DEQ staff have effectively incorporated the GPR requirements into the CWSRF program, predominantly for energy efficient and environmentally innovative wastewater treatment projects. Idaho is again one of the top states in the country for allocating the largest percentage of their EPA capitalization grant to GPR projects. In SFY 2014, DEQ designated \$2.6 million for GPR compared to the \$652,000 GPR target. We would like to thank Tim Wendland, program manager, and Kevin McNeil, GPR coordinator, for their continued commitment to Idaho's GPR program.

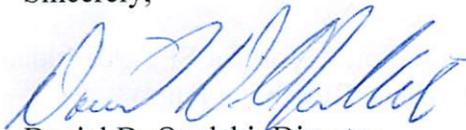
Additionally, we acknowledge your staff's ongoing effective CWSRF program management. They continue to update their procedures to meet increasing and evolving reporting requirements and utilize an effective records management system. Your staff performed exceptionally well in assisting North Lake to address their delinquent assistance agreements and in changing DEQ's program accordingly to minimize the risk from a large rate payer leaving the tax base. DEQ's CWSRF program has exhibited an excellent obligation rate which provides timely funds to communities with significant water quality needs.

Our review identifies a single ongoing concern regarding the Disadvantaged Business Enterprise (DBE) program and its applicability to professional service contracts as well as construction. During the onsite review, the EPA and DEQ staff agreed that this issue appears to be beyond the scope of the CWSRF program; therefore, a broader approach is appropriate for consideration. The EPA appreciates DEQ's ongoing exploration of DBE compliance options and looks forward to hearing your selected approach.

As a part of the review process, the EPA submitted the draft PER to DEQ on February 20th 2015, and shared this finding. We received no significant comments.

We appreciate the excellent work and responsiveness of your staff to communicate and resolve program issues as they arise throughout the year. Based on their input, we reduced the length of our onsite visit this year and streamlined our follow-up communication. We also appreciate your efforts to accommodate the EPA staff as they prepared for, conducted and followed-up from the review, and appreciate your flexibility as the EPA conducted much of the file review in advance. This was essential to achieving a shorter onsite visit. If you have any questions, or would like to discuss the PER, please call me at (206) 553-1855 or have your staff contact Bryan Fiedorczyk, at (206) 553-0506 or via email at fiedorczyk.bryan@epa.gov.

Sincerely,

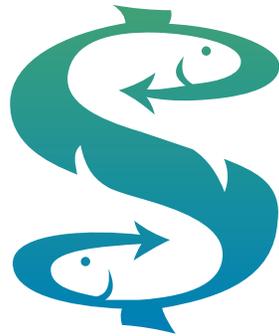


Daniel D. Opalski, Director
Office of Water and Watersheds

Enclosure

cc: Mr. Dave Sande, Chief Financial Officer, DEQ
Mr. Tim Wendland, Loan Program Manager, DEQ

U.S. Environmental Protection Agency, Region 10



Clean Water

State Revolving Fund

Idaho Program Evaluation Report

State Fiscal Year 2014

March 2015

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EXECUTIVE SUMMARY

This report presents the Environmental Protection Agency's (EPA) State Fiscal Year (SFY) 2014 evaluation of Idaho's Clean Water State Revolving Fund (CWSRF) program administered by the Department of Environmental Quality (DEQ). The introductory section describes EPA's review methodology and information sources. The update on the previous annual review describes the status of required and recommended actions. All actions are complete with the exception of a recommended action related to Disadvantage Business Enterprise (DBE) requirements as described below.

PROGRAMMATIC HIGHLIGHTS

During SFY 2014, DEQ signed \$15.9 million into assistance agreements including over \$2.6 million of Green Project Reserve (GPR) eligible project costs, surpassing the minimum GPR requirement of \$652,000, and provided the minimum of \$307,120 in principal forgiveness. By the end of Idaho's 2014 fiscal year, the program had cumulatively funded approximately \$504.3 million out of \$495.5 million available, for a fund utilization rate of 102%.

EPA found Idaho's program in compliance with all requirements, other than a single concern regarding the DBE program. A key DBE issue is primarily due to design/build contracts that were completed prior to a community anticipating CWSRF funding and may not have included complete DBE efforts. EPA recommends DEQ continue to explore potential DBE compliance strategies and coordinate with EPA staff for assistance and concurrence.

The Program Evaluation Report (PER) also reviewed DEQ's highly effective GPR program, which signed over \$36 million in GPR eligible components into assistance agreements between SFY 2011 and the first half of SFY 2015. DEQ far exceeded their GPR target of \$5.5 million over that same time period. This remarkable accomplishment was primarily achieved by dedicating one staff member as the GPR coordinator. DEQ's GPR program serves as a model for other state SRF programs.

During the PER review process, EPA also reviewed the following two projects and found them to meet all requirements:

- Fruitland WW1301 – Wastewater Treatment Facility Construction
- Hayden Lake Recreational Area WW1309 – Treatment Facility Improvement

Over \$20 million of funding was loaned to these projects, including over \$7 million of GPR eligible, energy efficient and environmentally innovative components. These projects provided improved water quality benefits to over 9,400 residents.

FINANCIAL HIGHLIGHTS

The Idaho CWSRF program has performed exceptionally well according to financial indicators established for the program nationally. Idaho's percentage of executed loans to funds available is 102%. This shows that DEQ is effectively committing funds faster than the national averages of 93% for states with direct loan programs and 91% for small states with direct loan programs. This performance indicator is important because it documents Idaho's effectiveness at quickly obligating the funds it receives into new projects.

DEQ is taking an active role in monitoring and assisting North Lake's efforts at securing repayments for three delinquent assistance agreements. North Lake has made partial payments on two of the delinquent agreements for each of the past four years. Combined, North Lake is still delinquent on approximately \$4.2 million in principal repayments and over \$2.4 million in accrued interest.

Cash draw transaction testing was conducted on four Federal cash draws taken from EPA grant CS 160001-13 ranging from \$10,906 to \$887,821. All costs appeared eligible for CWSRF funding and no improper payments were found. EPA found consistent state match reimbursements to the CWSRF at the proper Federal/State rates of 83.33% and 16.67%, and only a single improper payment to the City of Weiser. Weiser self-identified and resolved the issue with DEQ in October 2013 by repaying the \$134,000 it should not have requested from the CWSRF.

All funds were disbursed from federal CWSRF capitalization grants in less than a year after award. DEQ's timely disbursement of federal funds prevents unliquidated obligations from being an issue.

INTRODUCTION

The SFY 2014 PER was guided by EPA's Annual Review Guidance of State Revolving Fund Programs, provided by the EPA Office of Water, November 1, 2013. EPA relied upon information from the following sources:

- The 2011 and 2014 Operating Agreements between the EPA and DEQ governing the administration of Idaho's CWSRF;
- Grant agreements associated with each of the open EPA capitalization grants to DEQ;
- The Intended Use Plan for the Idaho CWSRF for SFY 2014;
- The SFY 2014 Annual Report submitted by DEQ;
- Two project file reviews conducted between December 15, 2014 and January 2, 2015:
 - Fruitland (WW1301), managed by the Boise Regional Office
 - Hayden Lake Recreation Water & Sewer District (WW1309), managed by the Coeur d'Alene Regional Office;
- Records of financial transactions maintained by EPA and DEQ;
- The National Information Management System database updated by DEQ for annual financial data of the CWSRF;
- The Clean Water Benefits Reporting database updated by DEQ for project and loan specific data; and
- The SFY 2013 Program Evaluation Report.

EPA's on-site review was conducted in January 2015. On January 5 – 6, 2015, EPA's financial analyst gathered invoices and other financial documentation and conducted cash draw transaction testing at EPA's Operations Office in Boise, Idaho. Onsite review discussions were held with state staff at DEQ's office in Boise from January 7 – 8, 2015. Though the on-site visit included a preliminary exit conference, an additional exit conference detailing EPA's final review results was conducted via phone on January 27, 2015.

This PER focuses on the status of previous action items, selected program items to include annual appropriation requirements, the two projects selected for review, financial review to include audits, cash draw and disbursement transaction testing, national financial indicators, and a recommended action from this year's review.

Additional review information is available in the attached [Annual Review](#) and [Project File Review](#) checklists.

STATE PROGRAM OVERVIEW

The Water Quality Division of the Idaho DEQ manages Idaho's CWSRF, established in state statute as the Wastewater Facility Loan Fund (Fund). The Idaho CWSRF received its first capitalization grant from the EPA in August 1989 and has operated it as a direct loan program. DEQ technically purchases municipal debt and does not issue loans, although the program materials frequently refer to the assistance agreements as loans for convenience of the assistance recipient.

Cumulatively, DEQ has received approximately \$160.9 million in EPA capitalization grants¹ and provided \$32.2 million in state match² plus an additional \$29.2 million of ARRA funds (\$19.2 million from EPA and \$10 million from the Department of Education Governor's discretionary funds)³. DEQ also transferred \$725,000 of unused SFY 2013 loan fees into the Fund⁴. These funds, when combined with principal and interest repayments and investment earnings, equate to \$495.5 million of total funds available⁵ for projects through the end of SFY 2014.

Every year DEQ develops an Intended Use Plan (IUP) that documents the total dollars and sources of funds available for the upcoming state fiscal year and all projects which have applied for possible funding shown on the Fundable Listing and the Planning Priority Listing. In addition, DEQ indicates which projects it intends to fund in the coming year based on the priority ranking score of each project and its readiness to proceed with construction.

DEQ offers assistance to projects eligible under Sections 212 and 319 of the Clean Water Act (CWA). Through SFY 2014, DEQ has cumulatively funded \$5.0 million of Section 319 Nonpoint Source assistance. DEQ has greatly expanded the CWSRF program by both the types of projects funded and the breadth of funding options available to borrowers. DEQ facilitates a sponsorship program to coordinate funding for nonpoint source projects with the financial resources of traditional wastewater treatment plants. DEQ also gives borrowers the ability to extend financing for CWSRF projects up to 30 years.

¹ National Information Management System (NIMS) line 71, less FFY 2009 ARRA grant

² NIMS line 91

³ NIMS lines 55a and 97

⁴ NIMS line 97

⁵ NIMS line 283

During SFY 2014, DEQ signed two new assistance agreements and three increases to existing agreements on five projects totaling more than \$13.9 million⁶. DEQ also signed two extended term financing agreements equaling \$2.0 million, for a total of \$15.9 million which was signed into seven assistance agreements with six communities during SFY 2014. In SFY 2013, DEQ also received early repayments from a sizeable number of borrowers who wanted to take advantage of historically low interest rates available to them through other financing sources. During SFY 2013, DEQ successfully committed \$56.0 million into new loan agreements out of the \$62.1 million of early repayments, with the remaining funds signed into a loan during SFY 2014 to the City of Post Falls. EPA appreciates DEQ's dedication to marketing the program and effectively obligating these unanticipated funds.

The seven projects funded in SFY 2014 were for various wastewater system improvements and collection system replacements or installations. Nearly \$12 million⁷ of the project funding is within impaired waterbodies, and over \$14 million⁸ is aimed at improving water quality to achieve or maintain compliance with water quality standards. More than 10,000 Idaho residents⁹ benefit from these projects. DEQ has tentatively identified \$2,637,578¹⁰ of GPR eligible project costs in SFY 2014, well surpassing the minimum requirement of \$652,000. In addition, DEQ provided the minimum of \$307,120¹¹ in principal forgiveness.

EPA tracks the percent of assistance provided relative to the total amount of funds available. The target is to obligate as much of the funds into projects as possible. At the end of SFY 2014, approximately \$504.3¹² million was funding projects out of \$495.5¹³ million available, for a fund utilization rate of 102%. This easily exceeds EPA's target of 94.5%.

In SFY 2007, the Fund began assessing a 1% fee. An assistance agreement interest rate is reduced by the percentage of the fee so there is no difference in cost to borrowers. As of SFY 2014, EPA has authorized fee account funds to be used for supplemental support for the administration of the Fund, planning grants, and wastewater operator training and certification.

⁶ According to the SFY 2014 Annual Report and CBR report generated 1/28/2015

⁷ According to CBR, report generated 1/28/2015

⁸ According to CBR, report generated 1/28/2015

⁹ According to CBR, report generated 1/28/2015

¹⁰ According to CBR, report generated 1/28/2015

¹¹ According to CBR, report generated 1/28/2015

¹² NIMS line 137

¹³ NIMS line 283

UPDATE ON SFY 2013 ANNUAL REVIEW

The following updates are based on required and recommended actions identified in the SFY 2013 PER.

REQUIRED ACTIONS

Required Action #2013.1: DEQ needs to post draft GPR template(s) to its GPR website in the quarter in which it signs a loan.

*Status: DEQ posted GPR documentation on their GPR website for all SFY 2013 and SFY 2014 projects designated as GPR eligible in Clean Water Benefits Reporting (CBR); EPA verified the documentation on December 15, 2014. DEQ also reconciled the GPR amounts entered in CBR to match the GPR documentation posted; EPA appreciates the effort to maintain accurate GPR records. **This action is complete.***

Required Action #2013.2: DEQ needs to revise GPR documentation for Infiltration and Inflow (I&I) projects to ensure a complete business case is developed and posted, including a cost effectiveness analysis; or, DEQ can choose not to count these projects as GPR and needs to update CBR accordingly.

*Status: Overall, the GPR documentation posted by DEQ appears to be updated and includes the required business case components. Several projects will need more thorough cost effectiveness analysis to be included in the interim and/or final business cases as project details become more complete. [\(See GPR section for more details.\)](#) **This action is complete.***

Required Action #2013.3: DEQ needs to include the following in the SFY 2014 annual report: identify the specific loans receiving additional subsidy by borrower, loan number, amount of principal forgiveness, project affordability (Yes or No), population served for projects designated as GPR, and a CBR environmental benefits summary report or “one-pager” for all projects funded during the year. EPA is interested in working with DEQ staff in August 2014 to confirm the required sections are included in the SFY 2014 Annual Report.

*Status: DEQ submitted a draft SFY 2014 Annual Report on August 29, 2014 and the final report on September 26, 2014. All required elements were included. **This action is complete.***

Required Action #2013.4: DEQ needs to document its process when making a Categorical Exclusion (CE) determination via the Environment Information Document (EID) or other checklist, file notes, memo or similar type of documentation.

*Status: DEQ provided a draft CE checklist to EPA on August 13th, 2014, which met the criteria for documentation environmental determinations. DEQ is in the process of updating their loan handbook and including the final CE checklist as part of the update. **This action is complete.***

Required Action #2012.4: DEQ needs to either renegotiate its DBE goals with EPA by December 31, 2014, or alternately, implement a process to apply the six affirmative steps to the entire assistance agreement.

Status: EPA and DEQ have continued to work together the past two years to address this issue and concurred during the SFY 2014 onsite review that this issue appears to be beyond the scope of the SRF program; therefore, a broader approach is appropriate for consideration. DEQ continues to explore potential DBE compliance strategies and will coordinate with EPA staff for assistance and concurrence. ([See DBE section for more details.](#))

RECOMMENDED ACTIONS

Recommended Action #2012.4: All DEQ regional engineers should use the most recent inspection forms in DEQ's CWSRF Handbook to document inspections, particularly to verify compliance with Davis-Bacon and American Iron & Steel requirements.

*Status: DEQ Headquarters staff continues to update and promote the use of the inspection forms, though it is still at the discretion of the regional engineer as to the format used. Based upon recent file review, DEQ engineers appear to be doing a sufficient job in ensuring Davis-Bacon requirements are met. EPA has not yet reviewed a project that has needed to comply with American Iron & Steel requirements due to loan signing dates, though this is expected to change during the SFY 2015 review. Therefore, currently, DEQ appears to be conducting complete inspections to include program requirements. **This action is closed.***

PROGRAM REVIEW

This section documents EPA's review of Idaho's implementation of the CWSRF statutory and regulatory requirements. Throughout the course of the year, EPA coordinates with DEQ in reviewing the IUP, CWSRF annual grant application, annual report, CBR data, and the Operating Agreement (as needed) as part of ongoing program oversight. Based on the reviewed materials and staff interviews, we found the program to be in compliance with all requirements, other than the single concern discussed below regarding the DBE program. This section also includes information related to the annual appropriation requirements and highlights DEQ's highly effective GPR program.

DISADVANTAGED BUSINESS ENTERPRISE

The Disadvantaged Business Enterprise (DBE) program is an outreach, education, and goal-oriented program designed to increase and encourage the utilization and participation of DBEs in procurements funded by EPA assistance agreements. The DBE program requirements apply to all procurements for construction, supplies, services and equipment under all EPA grants, in an amount equal to the capitalization grant.

DEQ has done an excellent job of applying DBE requirements to assistance recipients and construction contractors. Their specification inserts are extremely useful in documenting this compliance. However, DEQ has had difficulty in applying DBE requirements to service contracts that include professional services such as design engineers, construction management, and grant/loan management, particularly for design/build contracts that are negotiated prior to a borrower anticipating applying for an SRF loan. DEQ typically provides a single loan agreement that includes all professional services and construction. Accordingly, DBE should apply to professional service contracts as well as construction. During the SFY 2013 review, DEQ expressed interest to renegotiate the DBE goals and EPA agreed to work with DEQ to complete the process.

This DBE issue has been an ongoing effort between EPA and DEQ the past two years and EPA included a discussion with DEQ during the SFY 2014 onsite review. As indicated above, the key issue is primarily due to design/build contracts that were completed prior to a community anticipating CWSRF funding and may not have included complete DBE efforts. Recent discussion with the EPA Region 10 DBE coordinator indicated that renegotiated goals would not remove the need for contractors to complete the DBE good faith efforts for equivalency projects. DEQ has indicated they need to renegotiate DBE goals during the upcoming year as part of their normal schedule, but this no longer appears to be an effective solution regarding the DBE requirements for contracts.

EPA and DEQ staff concurred during the onsite review that this issue appears to be beyond the scope of the SRF program; therefore, a broader approach is appropriate for consideration. The group developed several options. The first approach is for DEQ to consider these types of design/build projects as non-equivalency agreements where DBE would not apply. However, this approach would have some inherent risks if the project received any federal funds from other agencies beyond just the SRF program and could potentially generate additional work due to DBE complaints and investigations. Second, DEQ could split the funding into two agreements with the portion not meeting DBE requirements designated as a non-equivalency agreement. This option requires additional workload for DEQ to manage multiple assistance agreements for a single assistance recipient. Third, DEQ is researching how other Idaho agencies meet the requirement and checking with other state members of the Council of Infrastructure Financing Authorities (CIFA) to see how other SRF programs comply with requirements. After preliminary

inquiries with other state agencies and CIFA members, DEQ has not yet received a viable alternative strategy for compliance. Lastly, DEQ could try to conduct additional outreach and coordination with communities and their contractors/consultants to ensure they understand the DBE process prior to applying for SRF funds. EPA recommends that DEQ continues to explore potential DBE compliance strategies and select the best option. EPA staff are available for consultation and assistance. ([See Recommended Action #1.](#))

FFY 2013 APPROPRIATION REQUIREMENTS

This section documents the EPA’s review of specific requirements that originate from Congressional appropriation language. Since these typically change annually, a brief description of each requirement is included below.

ADDITIONAL SUBSIDIZATION

The Additional Subsidization Requirement (ASR) for the CWSRF was included in EPA's Federal Fiscal Year (FFY) 2012 appropriation and continued for FFY 2013 through the Consolidated and Further Continuing Appropriations Act, P.L. 113-6. It was passed through to DEQ in their capitalization grant. Based on the FFY 2013 grant, DEQ was required to provide additional subsidization between \$307,120 and \$460,680 in SFY 2014. In the Clean Water Benefits Reporting System (CBR), DEQ reported actual principal forgiveness of \$307,120, the minimum allowable ASR. Within CBR, DEQ reported providing principal forgiveness to the following project:

Table 1: SFY 2014 Project with Additional Subsidization as Principal Forgiveness

Agreement #	Recipient	Project Name	Agreement Amount	Principal Forgiveness
WW1402	Country Club Hills Utilities	Sewer Line System Project	\$1,641,000	\$307,120
Total				\$307,120

The EPA capitalization grant states that priority for additional subsidies should be given to communities that could not otherwise afford such projects or that are defined by the State as disadvantaged. DEQ provided principal forgiveness to disadvantaged communities based on the criteria established in IDAPA 58.01.12.021. Principal forgiveness was capped at the amount necessary to keep user rates at 1.5% of median household income and would be distributed among the disadvantaged community projects on the Fundable List, based on each project signing an assistance agreement during SFY 2014 and meeting the user rate threshold.

The national grant conditions further recommend that these subsidies be directed toward "sustainable" projects as defined in the grant conditions. DEQ complies with this grant condition by funding loans that typically meet the repair and replace definition of sustainable projects. DEQ stated that principal forgiveness was not targeted to encourage sustainability practices, but that sustainability practices are encouraged through the awarding of points in the Priority List rating process. DEQ's exemplary practices to encourage GPR also bring some elements of sustainability into the program.

The FFY 2013 grant included reporting requirements for projects receiving additional subsidy that need to be entered quarterly into CBR and listed in the Annual Report. DEQ has typically completed timely CBR entries and appeared to meet all of the required subsidy information including project affordability of the assistance recipient. DEQ included the required subsidy information in the SFY 2014 Annual Report.

GREEN PROJECT RESERVE

Green Project Reserve (GPR) requirements were authorized for the CWSRF again in EPA's FFY 2012 appropriation and continued for FFY 2013 through the Consolidated and Further Continuing Appropriations Act, P.L. 113-6. The GPR requirements were passed through to DEQ in their capitalization grant. DEQ's responsibilities under GPR are to solicit and fund GPR projects, or components of projects, for not less than 10% of the capitalization grant amount. The four categories of GPR are green infrastructure, energy efficiency, water efficiency, and environmentally innovative projects. DEQ also must identify those projects in the IUP, state whether they are categorically green or will require a business case, review all business cases, and post them on their web site by the end of the quarter in which the assistance agreement is signed.

DEQ's Green Project Reserve target for SFY 2014 was \$652,000. According to the Clean Water Benefits Reporting System, DEQ provided funding to four GPR projects and estimates the GPR costs at about \$2.6 million - more than four times the minimum requirement; once again easily exceeding the annual target. Table 2 shows the four GPR projects DEQ funded in SFY 2014.

Table 2: SFY 2014 Projects with Green Project Reserve Estimates

Agreement #	Recipient	Project Name	GPR Description	GPR Amount ¹⁴
WW1307(a)	City of Coeur d'Alene	Wastewater System Project	Install advanced lighting, fine bubble diffusers, premium turbo blowers, premium efficiency motors, and VFDs.	\$40,078 (EE)
WW1401	City of Post Falls	Wastewater Treatment Plant Upgrade Project	Install advanced lighting, premium efficiency pumps/mixers/VFDs, an equalization basin, and innovative chemical feed and bio-filtration process.	\$402,500 (EE) \$499,000 (EI)
WW1402	Country Club Hills Utilities	Sewer Line System Project	Install gravity transfer system to replace an existing lift station.	\$975,000 (EE)
WW1403	City of Jerome	Wastewater System Upgrade Project	Upgrade lift stations and install new premium efficiency pumps.	\$721,000 (EE)
Totals				\$2,138,578 (EE) \$499,000 (EI) \$2,637,578 total

In addition, the FFY 2013 grant included reporting requirements for projects designated as GPR that need to be entered quarterly into CBR and listed in the Annual Report. DEQ completed timely CBR entries including the newly required GPR elements and the SFY 2014 Annual Report included all the required GPR information.

GPR Documentation & Business Cases

DEQ issues a single assistance agreement for design and construction. It is usually not possible for recipients to develop business cases within the same quarter as loan signing (as required by EPA's GPR Guidance) because design of the project would have barely started. Reliable GPR estimates and supporting documentation are not available until design is complete. DEQ agreed to post a draft/preliminary GPR template in the quarter the assistance agreement is signed. DEQ will then post approved interim business cases on its web site within three months of approving the recipient's plans and specifications. Finally, upon completion of the project, DEQ agreed to review/revise the business case based on equipment/specification/cost of the completed project. This final review is to ensure that GPR eligible components approximately match the design

¹⁴ The four GPR categories are: Energy Efficiency (EE), Water Efficiency (WE), Environmentally Innovative (EI), and Green Infrastructure (GI).

specifications and estimated GPR costs, and the components were not replaced with lesser performing or ineligible GPR components.

During the SFY 2013 review, EPA noted that several projects would need more thorough cost effectiveness analysis prior to the final business case being posted and that the draft GPR templates had not been posted for all projects within the quarter that the assistance agreement was signed during SFY 2013 and SFY 2014. However, after discussing the template posting process with EPA, DEQ immediately posted GPR documentation for the few projects missing posted information. As of December 15, 2014, all assistance agreements proposed for GPR eligibility for SFY 2013 and SFY 2014 had GPR documentation posted on DEQ's GPR website: www.deq.idaho.gov/green-project-reserve. EPA reviewed the documentation for each project and it appeared to be sufficient.

BEST PRACTICE: GREEN PROJECT RESERVE PROGRAM

Idaho's CWSRF program is an amazing example of how effectively DEQ has incorporated the GPR requirements into their CWSRF program, predominantly for energy efficient and environmentally innovative waste water treatment projects. Idaho has frequently been one of the top states in the country based on percentage of GPR funded to their EPA capitalization grant each year. As indicated by the \$2.6 million of GPR designated for SFY 2014 compared to the \$6.5 million FFY 2013 cap grant, these efforts continue to be extremely successful.

Not only is DEQ doing a thorough job of capturing all possible GPR elements, but they have developed business case templates that more directly involve design engineers in the process and clearly demonstrate that lower user rates can result from including GPR components in the projects. This effort is also causing their assistance recipient (or their consultants/contractors) to rethink their projects and include more energy efficient components that result in savings to the community and that use less resources.

As a program, the ID CWSRF has received \$37.5 million in grant funds from EPA (for SFY 2011 through the first half of SFY 2015), and DEQ's GPR target over that term has equated to \$5.5 million (GPR target of 10% to 20% of the capitalization grant each year, depending on EPA's requirements). During this time, DEQ has signed \$162 million into loan agreements with over \$36 million in GPR eligible components, or 97% of their EPA grant amount. This 97% GPR rate is a remarkable accomplishment and has been primarily achieved by the program dedicating one staff member to being the program's GPR coordinator. This model could benefit other SRF programs by emulating Idaho's dedicated GPR coordinator as well as using the GPR templates to record GPR eligible components on DEQ's GPR webpage.

An example of Idaho's GPR benefits includes the Teton Valley Wastewater Facility Project funded by CWSRF Agreement WW1103 (assistance agreement date 6/2/11) to the City of Driggs, Idaho. This \$10.7 million dollar loan included \$2.5 million of GPR eligible components. The project installed new energy-efficient equipment including pumps and aerations blowers, a supervisory control and data acquisition (SCADA) monitoring and control system, and a tertiary filtration system. The project also included an environmentally innovative multi-stage activated biological process that removes the need for additive treatment chemicals and solids handling equipment. Some metrics from the Teton Valley project are the pumps/blowers that are expected to be more than 20% energy-efficient (over standard models), and the SCADA and tertiary filtration systems that are expect to save the City of Driggs approximately \$110,000 each year on energy costs. The multi-stage activated biological process is expected to be 20% to 40% more energy-efficient than other systems, and also provides the benefit of not needing addition chemicals or the disposal of solids/sludge (plus the related handling and transportation of those materials).

EPA greatly appreciates DEQ's continued commitment by both the program manager, Tim Wendland, and the GPR coordinator, Kevin McNeil, to successfully manage and implement the GPR program.

PROJECT REVIEW

FRUITLAND WW1301

PROJECT DESCRIPTION AND STATUS

As described in CBR, this is a \$10,000,000 two-year assistance agreement (interim financing) for the construction of a wastewater treatment facility that will replace two wastewater treatment facilities operating in the City of Fruitland. The project activities include decommissioning one wastewater system, converting a second system to handle solid waste, improving the lagoons, adding a new lift station, constructing a 1.6 mile sewer line, and constructing a new replacement treatment facility.

The project began construction in March 2013, is about 40% completed and is expected to be completed by September 2015.

ENVIRONMENTAL BENEFITS AND GREEN PROJECT RESERVE

The project will improve water quality and restoration of the following designated surface water uses: aquatic life (cold water and salmonid spawning), primary contact recreation, agricultural water supply and industrial water supply. The project will benefit the project service population of 4,684 residents.

The project also includes \$6,342,964 of estimated GPR eligible components in the form of energy efficiency equipment to include a UV system, lift station, interceptor, variable frequency drives (VFD), and SCADA controls, as well as an environmentally innovative biological nutrient reduction system.

HAYDEN LAKE RECREATIONAL W&S DISTRICT WW1309

PROJECT DESCRIPTION AND STATUS

As described in CBR, this is a \$10,400,000 20-year assistance agreement for the improvements to the Hayden Area Regional Sewer Board Treatment Facility, which will include flow equalization, biological nutrient removal, tertiary filtration, biosolids improvements, a new headworks, disinfection system, and effluent pumping. The agreement will also pay for the Borrower's collection line improvements and lift station.

The project began construction in May 2014, is about 45% completed and is expected to be completed by March 2016.

ENVIRONMENTAL BENEFITS AND GREEN PROJECT RESERVE

The project will improve water quality and protection of the following designated surface water uses: primary contact recreation, domestic water supply and wildlife habitats, and also provide ground water protection. The project will benefit the project service population of 4,750 residents.

The project also includes \$1,250,141 of estimated GPR eligible components in the form of energy efficiency equipment to include efficient lighting, VFDs, and SCADA controls), as well as an environmentally innovative biological nutrient reduction system.

FINANCIAL REVIEW

This section documents EPA's review of Idaho's financial management and oversight of the CWSRF and its borrowers. Throughout the course of the year and during the onsite visit, EPA reviews State accounting records, draft and audited financial statements, NIMS, borrowers' invoices and audits (as necessary) to conduct ongoing financial oversight. Based on the reviewed materials and staff interviews, EPA found Idaho's financial management to be in compliance with all requirements. EPA did not find any instances of negative cash draws. All funds were disbursed from federal CWSRF capitalization grants in less than a year after award and consistent with the required split of 83.33% Federal and 16.67% State Match reimbursements to the Fund. As discussed below, the single improper payment discovered has already been corrected. This section

also includes information on audits of DEQ's CWSRF program, DEQ's ongoing role in securing repayments for three assistance agreements that are currently in default/delinquency, detailed results of EPA's cash draw transaction testing, and national financial indicators of the program's effectiveness.

AUDITS

INDEPENDENT FINANCIAL AUDIT

The Idaho State Legislative Services Office (LSO) annually audits the financial statements of the CWSRF. At the time of this PER's issuance, the LSO had not yet issued the SFY 2014 Individual Entity Audit Report of the CWSRF. The LSO typically issues the audit in March or April and often emails a copy directly to EPA.

The audit for SFY 2013 concluded that the CWSRF's financial statements were materially accurate and reliable and fiscal operations materially complied with related laws and regulations. As a result LSO issued an unmodified opinion on the CWSRF's financial statements. An unmodified opinion, also referred to as a clean opinion, is an expression of the auditor's judgment that the CWSRF program's financial statements are presented fairly and prepared in accordance with generally accepted accounting principles (GAAP). The audit process also performed tests of compliance with certain provisions of various laws, regulations, contracts, and grant agreements that could affect the CWSRF's financial statement amounts and/or fiscal operations. There were no findings or recommendations in the SFY 2013 or prior year's reports.

EPA greatly appreciates that DEQ arranges an annual financial audit, and understands that this process can take a lot of DEQ staff time, especially from the Financial section. The independent audit provides EPA, oversight agencies, and the public, confidence that SRF funds are disbursed quickly, accurately, and only for eligible costs.

SINGLE AUDIT ACT

The Single Audit Act (SAA) and amendments require non-Federal entities that expend \$500,000 or more of Federal funds in a year to have a single audit conducted. Sources of Federal funds include, but are not limited to, SRF programs, health care, social services, infrastructure, highways, and education. At the time of this PER's issuance, the LSO has not yet issued the statewide Single Audit for the State of Idaho covering the fiscal year ending June 30, 2014.

The Idaho SFY 2013 statewide single audit issued March 28, 2014 identified the CWSRF as a major program. There was a single finding of noncompliance and significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a

type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The auditors determined that the appropriate Federal Funding Accountability and Transparency Act (FFATA) information was reported for both the Clean Water and Drinking Water State Revolving Funds for the FFY 2011 and FFY 2012 capitalization grants; however, the Department did not document a review and approval of the FFATA report or maintain documentation to support the completion of timely reporting. In the absence of appropriate supporting documentation, the auditors were unable to determine that internal controls were adequately designed and implemented to ensure accurate and timely FFATA reporting. The LSO recommended that DEQ implement internal controls to properly document the review and approval of timely FFATA reporting. DEQ agreed with the finding and took immediate measures to strengthen and document internal controls over the FFATA reporting process.

Last year EPA reviewed the FFATA reporting for the FFY 2012 and FFY 2013 grants via the USA Spending.gov website and noted that the amount was over reported. DEQ had been entering additional sub awards (assistance agreements), or the entire assistance agreement amount, instead of just the required amount equating to the capitalization grant. For example, for FFY 2013, DEQ had entered the entire \$8,000,000 assistance amount provided to Post Falls, instead of a portion of the assistance equaling the grant amount of \$6,520,000. Upon notification of the over reporting, DEQ immediately took steps to correct the reporting errors and their reporting procedure. As the LSO noted, FFATA amounts for FFY 2012 and FFY 2013 are now properly entered in USA Spending. The FFY 2014 FFATA amount was also properly entered and within the required time frame.

DEQ's new procedure to ensure correct and timely FFATA reporting is to print a report when data is entered into the federal reporting system. The report indicates both the loan obligation date and the report month, which enables verification of compliance with FFATA reporting requirements. In addition, a supervisor documents a review of each report, and the reports are stored in DEQ's Total Records Information Management system. The LSO reviewed current FFATA reports, verified the implementation of the internal controls which include documenting the review and timing of the reports and reported this finding as closed on November 19, 2014.

LOANS IN DEFAULT OR DELINQUENCY

As has been discussed in previous PERs, DEQ has three CWSRF assistance agreements with North Lake Recreational Sewer and Water District (North Lake) that are currently in default/delinquency.

The three CWSRF agreements totaling \$20,477,561 as of November 25, 2014, are:

- 1899-09 for \$5,581,991
- 1899-16 for \$3,295,570
- 1899-18 for \$11,600,000

North Lake has made partial payments to assistance agreements 1899-09 and 1899-16 for the past four years; the most recent received December 2, 2014, and totaling \$406,045.60. No payments have yet been made towards assistance agreement 1899-18. Combined, North Lake is currently delinquent on approximately \$4.2 million in principal repayments and over \$2.4 million in accrued interest.

DEQ is taking an active role in monitoring and assisting North Lake's efforts at securing repayments. The majority of properties subject to the North Lake Local Improvement District (LID) assessments have varying ownership interest by Tamarack, their affiliated companies, and individuals. On September 1, 2010, North Lake filed a claim against Tamarack Resort LLC for approximately \$36 million in the Tamarack bankruptcy action. The District Court previously confirmed North Lake's statutory priority above other creditors in the Tamarack Resort foreclosure proceeding. North Lake assessments have since been certified on the county tax rolls for the individual properties associated with the LID for collection and/or foreclosure. The delinquent LID assessments have been certified to Valley County for addition to the tax bills. Credit Swiss recently purchased the Tamarac ski lodge, resort, and golf course. Though the proceedings are still in court, DEQ anticipates larger repayments may begin within the next few years as these specific properties reopen and generate revenue.

DEQ changed its underwriting policy in response to lessons that were learned from the North Lake/Tamarack situation and to decrease the likelihood of future defaults or delinquencies from occurring when a borrower's major employer leaves or declares bankruptcy. DEQ now requires potential borrowers to form an LID before they will approve the assistance application in order to evaluate the users and the potential risk of a large employer or rate payer being removed from the tax base, thus impacting the ability of the remaining residents and tax payers to repay the remaining debt. DEQ's CWSRF staff have done an excellent job assisting the North Lake District in attempting to recoup its losses, make payments to DEQ on the outstanding debt, and proactively updating and changing DEQ's credit worthiness analysis and underwriting of potential borrowers to ensure the perpetuity of the Fund for future Idaho borrowers.

CASH DRAW TRANSACTION TESTING

An important part of the annual review process is checking federal capitalization grant cash draw transactions and loan disbursement documentation. In response to the Improper Payments Elimination and Recovery Act, the Office of Management and Budget (OMB), through the EPA Office of the Chief Financial Officer (OCFO), directed that the CWSRF be subject to a random selection of transactions to develop a national estimate of improper payments from this program.

During the SFY 2014 annual review, EPA looked at four cash draws from the federal capitalization grant and the associated project loan disbursements; all of these draws were selected by EPA Region 10 since no Idaho CWSRF draws were assigned by OCFO. Upon request, the DEQ Fiscal Office staff provided complete sets of accounting records for EPA to evaluate the procedures for federal grant cash draws, state match deposits, and disbursements to borrowers from the Idaho CWSRF.

EPA reviewed the following four CWSRF SFY 2014 cash draws from EPA grant CS 160001-13:

- **November 05, 2013 – Federal Cash Draw \$620,013; State Match \$124,032**
 - \$20,320 for the City of Potlatch (WW1104)
 - \$468,679 for Hayden Lake Recreational Water and Sewer District (WW1309)
 - \$141,273 for Hayden Lake Recreational Water and Sewer District (WW1309)
 - \$113,773 for Santa Water and Sewer District (WW1210)

- **December 05, 2013 – Federal Cash Draw \$887,821; State Match \$177,604; Repayments \$74,247**
 - \$142,137 for Hayden Lake Recreational Water and Sewer District (WW1309)
 - \$997,536 for the City of Idaho Falls (WW1102)

- **March 04, 2014 – Federal Cash Draw \$10,906**
 - \$10,906 for IDEQ administration of the CWSRF

- **June 26, 2014 – Federal Cash Draw \$23,571**
 - \$23,571 for IDEQ administration of the CWSRF

Individual cash draws may be rounded up or down to the nearest dollar. To comply with EPA's requirements regarding the proportion of Federal funds drawn, DEQ disburses directly to assistance recipients from the Fund. Subsequent to the disbursement, DEQ reimburses the Fund with 83.33% Federal grant dollars and 16.67% State Match. In

order for the State to reimburse itself from the Federal grant for administrative expenses, the required State Match is reimbursed to the Fund for disbursements made to assistance recipients; thus always maintaining EPA's 83.33%/16.67% proportionality requirements. The required state match for both administrative draws detailed above was deposited into the Fund for disbursements made to Hayden Lake Recreational Water and Sewer District (WW1309). Federal funds were drawn appropriately for these four cash draws.

All costs associated with the above draws appear to be eligible for CWSRF funding. Each cash draw had consistent documentation and accounting records. EPA also found that disbursement documentation and invoices were well organized and supported the amounts and eligibility of costs incurred. No erroneous payments were found from cash draw transaction testing.

IMPROPER PAYMENTS

On October 8, 2013, the City of Weiser (WW1304) informed DEQ that it had incorrectly requested and received payment for a portion of an invoice that it should have paid with city funds. The City of Weiser's wastewater treatment system upgrade project is being jointly funded by DEQ's CWSRF and USDA's Rural Development. In payment request #1, Weiser appropriately documented invoices for \$210,887 of incurred costs which were submitted to DEQ for payment. However USDA's Community Program Specialist only approved \$76,887.25 to be paid by DEQ's CWSRF and the remaining \$134,000 was to be paid with city funds. After Weiser realized its mistake, it contacted DEQ and returned the \$134,000 it should not have requested from DEQ's CWSRF. On October 23, 2013, DEQ received Weiser's payment and completed a no draw/match disbursement to consume the funds and credit the \$134,000 improper payment back to CWSRF grant CS 160001-13. No further action is necessary.

FINANCIAL INDICATORS

The Idaho CWSRF program has performed exceptionally according to financial indicators established for the program nationally. The table on the following page provides a comparison of recent fiscal year performance according to financial indicators by which state CWSRF programs are evaluated¹⁵.

Indicator #2 (102%) shows that DEQ is continuing to prioritize the signing of assistance agreements with communities and effectively committing funds to projects. This performance indicator is important for the Fund since a single assistance agreement often provides funding for design and construction, due to State restrictions on communities incurring debt. This typically results in a two to three year lag between the

¹⁵ The SFY 2014 data in CWNIMS may be adjusted during SFY 2015 end-of-year reporting and may affect the results of these indicators.

assistance agreement signing and large expenditures on construction costs. Therefore, it would also be expected that as Indicator #2 continues to exceed both the small state and national averages, Indicator #3 will naturally fall slightly under the national average as it captures a disbursement metric.

Table 3: Financial Indicators

<i>Financial Indicators for SFY 2013 and SFY 2014</i>				
<i>Description</i>	<i>Idaho SFY 2013</i>	Idaho SFY2014	<i>Small States¹⁶ Average for SFY2014</i>	<i>National Average¹⁷ for SFY2014</i>
# 1- Return on Federal Investment - Shows the amount invested in water quality beneficial projects for each federal dollar invested	209%	220%	182%	187%
# 2-Percentage of Closed (executed) Loans to Funds Available For Loans - Shows the amount of signed loan agreements compared to the amount of funds available for loans	104%	102%	91%	93%
# 3-Percentage of Funds Disbursed to Closed Loans - Shows the amount of funds actually disbursed compared to the amount of signed loan agreements	74%	79%	86%	84%
# 4-Benefits of Leveraging (generating additional SRF funds by issuing bonds)	N/A	N/A	N/A	N/A
# 5-Perpetuity of Fund - Demonstrates whether the program is maintaining its contributed capital. positive result indicates the Program is maintaining its capital base	\$72.2M	\$76.2M	N/A	N/A
# 6-Estimated Subsidy - An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate.	54.1%	55.6%	76.5%	68.2%

¹⁶ Small states average is calculated using SFY 2014 financial indicators for 9 states which were awarded the lowest capitalization grant totals in 2014 and do not leverage their loan program (AK, DE, ID, MT, NE, NM, UT, VT, WY). Data is taken from 2014 Clean Water National Information Management System, CWNIMS annual reports produced for the 2014 Council of Infrastructure Financing Authorities State Revolving Fund Workshop.

¹⁷ National Average is for all US states that do not leverage their loan program. Data from 2014 Clean Water National Information Management System, CWNIMS.

CONCLUSION AND ACTION ITEMS

EPA appreciates all of DEQ's efforts to run an excellent CWSRF program. DEQ has updated their procedures to meet increasing and evolving reporting requirements, and their effective records management system eases EPA's onsite review by allowing materials to be available in advance. Of significant note, DEQ's excellent GPR program continues to serve as a model for other state SRF programs to emulate. DEQ has also performed exceptionally well in assisting North Lake to address their delinquent assistance agreements and in changing their program accordingly to minimize the risk from a large rate payer leaving the tax base. DEQ's CWSRF program has exhibited an excellent obligation rate, which provides timely funds to communities with significant water quality needs.

EPA has identified one area of concern that should be addressed. The following item is a recommended action for DEQ.

RECOMMENDED ACTION

Recommended Action #2014.1: DEQ should continue to explore potential DBE compliance strategies and implement the best option. EPA staff are available to help.

APPENDIX A: ANNUAL & FILE REVIEW CHECKLISTS

ANNUAL REVIEW CHECKLISTS	A-1
PROGRAMMATIC CHECKLIST	A-2
FINANCIAL CHECKLIST	A-7
SUSTAINABILITY CHECKLIST	A-13
 FILE REVIEW CHECKLISTS	
FILE REVIEW CHECKLIST #1: CITY OF FRUITLAND (LOAN WW1301)	A-15
FILE REVIEW CHECKLIST #2: HAYDEN LAKE RECREATION WATER & SEWER DISTRICT (WW1309)	A-20

SRF Annual Review Information Sheet

State Under Review: Idaho CWSRF

For SRF Fiscal Year Beginning: 7/1/2013 Ending: 6/30/2014

Annual Report Received: 9/26/2014

Annual Audit Received: 5/19/2014

Audit Year: SFY 2013

State Contact: Tim Wendland

Phone No. 208-373-0439

Core Review Team:

Role	Name
CWSRF Project Officer	Bryan Fiedorczyk
CWSRF Team Ldr & Financial Analyst	Michelle Tucker
CWSRF Unit Manager	Paula vanHaagen
DWSRF Unit Manager	Marie Jennings (phone)
Idaho Operations Office	Maureen Pepper (phone)

State Staff Interviewed
Tim Wendland (Loan Manager)
Bill Hart (Senior Financial Specialist)
MaryAnna Peavey (Loan Program Coordinator)
Ester Ceja (Senior Water Quality Analyst, Environmental Reviews)
Kevin McNeill (Engineer, Green Project Reserve)
Charlie Parkins (Loan Officer)
Doug McRoberts (Policy Analyst, DBE)
Mike May (Water Quality Analyst, Environmental Reviews)
Brenda Malone (Financial Specialist Principal)
Claudia Clark (Senior Financial Specialist)
Katie Bennett (Financial Technician)
Jennifer Martin (Grants/Contracts Officer)

Project files and transactions reviewed:	Fruitland WW1301	\$620,013 (11/5/2013)	\$10,906 (3/4/2014)	
	Hayden Lake WW1309	\$887,821 (12/5/2013)	\$23,571 (6/26/2014)	

	First Team Meeting	Second Team Meeting	On-Site Visit	Draft PER	Final PER
Estimated Date:	10/2/2014	11/5/2014 - 1/2/2015	1/5/2015 - 1/9/2015	2/20/2015	3/9/2015
Actual Date:	10/2/2014	11/5/2014 - 1/2/2015	1/7/2015 - 1/8/2015	2/20/2015	3/9/2015

APPENDIX A
Annual Review Checklist

Required Program Elements

Review Item and Questions to Answer	Yes	No	N/A	Onsite Discussion Summary
1.1 Operating Agreement				
1 When was the last update to the State's Operating Agreement?				6/12/2014
2 Discuss whether the current Operating Agreement accurately reflects the State's program.	➔			Yes, DEQ recently updated the OA effective 6/12/14 to include DW-CW Transfers; DEQ proposes to transfer funds from the DWSRF to the CWSRF during SFY 15
a. Has the OA been updated to include any changes to the SERP, use of bonds for leveraging/state match, sub-state revolving fund programs (i.e., nonpoint source sponsorships), or other significant program changes?	X			Yes, in previous updates prior to 2014.
3 If the OA does require an update, what is the plan for doing so (i.e., adding an amendment, using examples from other states, etc.)?				➔ DEQ is not anticipating an OA update in the immediate future; DEQ plans to address new requirements due to the CWA amendments (WRRDA) via the IUP, and may eventually update the OA to include some of those elements once their implementation is better understood
1.2 Annual Report				
1 Date that the Annual Report was submitted to the Region:				Submitted by DEQ on 9/26/14
2 Does the State's Annual Report meets the following requirements:				
a. Reports on progress towards goals and objectives	X			Pp. 3-11
b. Reports on use of funds and binding commitments	X			Pg. 2, Attachment C
c. Reports on the timely and expeditious use of funds	X			Pg. 5
d. Identifies projects and types of assistance provided.	X			Attachment C & Attachment D
e. Includes financial statements and cross-references independent audit report	X			Attachment F - unaudited financial statements
f. Provides assessment of the SRF's financial position and long-term financial health		X		Financial statements include status of financial position, but long-term health not discussed; addressed in the independent audit each year (provided at a later date). DEQ is in the early stages of contracting for financial modeling software to assist in long-term financial forecasting.
g. Demonstrates compliance with all SRF assurances and certifications	X			Pp. 11-14
h. Demonstrates compliance with SRF program grant conditions	X			Pp. 5-11
i. Documents eligible Green Project Reserve projects that were funded	X			Pp. 6-10
j. Documents projects that received additional subsidy	X			Pg. 3; Country Club Hills WW1402
k. Documents whether additional subsidy was directed to projects in communities that could not otherwise afford such projects. If not, was an explanation provided for why this decision was made? [Provide explanation in Discussion column.]	X			Pg. 3; based on project affordability to community - meets disadvantage criteria
l. Documents whether additional subsidy was directed to projects that repair or replace existing infrastructure; projects that include plans, studies, etc. to improve technical, managerial and financial capacity; and/or projects that reflect the full life cycle costs of infrastructure assets. If not, was an explanation provided for why? [Provide explanation in Discussion column.]	X			Projects with these attributes receive points in the Priority List rating process. DEQ directs subsidy to disadvantaged communities.
3 Includes a CWSRF Benefits Reporting System (CBR) summary report or "one-pager" for all projects funded.	X			Attachment G

APPENDIX A
Annual Review Checklist

Required Program Elements

Review Item and Questions to Answer		Yes	No	N/A	Onsite Discussion Summary
1.3 Short and Long-Term Goals					
1	How does the State establish short-term environmental goals?				The Loan Program Manager, with input from staff, identifies how DEQ would like to enhance or expand the program over the short-term. He presents these goals to management for approval.
	a. What is the State doing to achieve these goals?				DEQ works with communities and EPA to ensure short-term priorities in the program are addressed such as environmental justice, GPR, Davis-Bacon, and SAA requirements. See Annual Report p. 5-11 for progress on SFY 2014 goals.
2	How does the State establish long-term environmental goals?				DEQ's long-term environmental goals do not often change. DEQ's primary objective is to obligate all available funds each year. The Loan Program Manager identifies opportunities for long-term shifts in program goals and obtains management approval.
	a. What is the State doing to achieve these goals?				DEQ coordinates with communities and other state and federal agencies to fund wastewater treatment projects to improve water quality and ensure that communities are able to afford and repay loans. See Annual Report p. 3-5 for progress on SFY 2014 goals.
1.4 Funding Eligibility					
1	Discuss the State's internal controls for funding eligibility. How does the State ensure that SRF funds do not go to ineligible projects or ineligible expenses?				Regional engineers review eligibility when communities submit letters of interest and again when they submit formal applications. Regional Engineers and Fiscal Office review invoices for eligibility.
2	Discuss the State's policy for collecting documentation from assistance recipients to support the amount and eligibility of disbursement requests. What type of documentation is required, how are invoices reviewed, etc.?				Assistance recipients submit DEQ's reimbursement request forms with supporting invoices to the DEQ regional engineers. Regional engineers go through each invoice to ensure that all items are eligible and that the total requested funds are justified via the invoices. Once a regional engineer signs off on the amount of the disbursement request, it is sent to the program accountant in the Fiscal Office. The accountant ensures the amount of the disbursement request matches the total of all the invoices and processes the request for payment.
1.5 Reporting					
1	Has the State entered data for all projects in the Annual Report into the CBR database?	X			B. Fiedorczyk reviewed annual report and CBR data between 8/22/14 and 12/15/14
	a. Are the records complete, to the extent possible?	X			Entries appear to be accurate
2	Has FFATA data been entered into usaspending.gov for projects in an amount equal to the capitalization grant?	X			Correct amount matching grant (\$6,520,000) entered into FFATA for FFY 2013, covered by Post Falls WW1401 loan (\$8,000,000)
3	Does the State submit Interim Federal Financial Reports for all open grants?		X		Region 10's shared financial center in Las Vegas does not require interim FFRs for regular CWSRF grants (they were only required for EPA's ARRA grants).
4	What is the State's process for ensuring timely and accurate CBR data entry?				CBR is updated when the state receives the signed assistance agreement or amendment and at agreement closeout; initial entries are made by the Loan Officer and reviewed by the Loan Program Coordinator. The Water Quality Analysts and/or Regional Engineers are contacted for environmental benefits data as needed. The state is developing a checklist to facilitate quarterly reviews of CBR for active loans.
1.6 Staff Capacity					
1	How many CWSRF staff members does the State have in the following areas?				SRF staff are shared between the CWSRF, DWSRF, and various grant programs. The FTE estimates below account for their time spent on CWSRF work.
	a. Accounting & Finance				0.48 (Bill Hart and Tech Writers)
	b. Engineering and field inspection				1.87 (Regional Engineers)
	c. Environmental review / planning				0.33 (Ester and Mike)
	d. Management				1.57 (Tim, Charlie, MaryAnna, Kevin, Clerical, Dave Pisarski)

APPENDIX A
Annual Review Checklist

Required Program Elements

Review Item and Questions to Answer		Yes	No	N/A	Onsite Discussion Summary
2	What is the State CWSRF program's current situation with regard to hiring and training new staff?	—————▶			DEQ considers themselves to be fully staffed and has no vacancies at this time. Training restrictions have been relaxed, and DEQ may now be able to send multiple participants to out of state training.
3	Is current staffing sufficient to manage the program?	X	—————	—————	DEQ is effectively managing the CWSRF program
1.7 Compliance with Environmental Review Requirements					
1	Do the State's environmental review procedures (as described during onsite interviews) accurately reflect the process as described in the State Environmental Review Process (SERP)?	—————			Project file review and discussions with DEQ staff indicate the SERP accurately describes the process. DEQ regularly updates their procedures manual to further refine their processes.
2	Describe the State's decision process and documentation requirements for issuing the following environmental review determinations:	—————			
	a. Categorical Exclusion (CE) or the State equivalent	—————			A DEQ Water Quality Analyst speaks with the assistance recipient after the Facility Plan and public participation process is completed. The WQA makes an initial assessment regarding which environmental determination will likely be necessary based on the State's SERP CE criteria. The assistance recipient submits CE documentation plus supporting information (maps, consultation letters, etc.) demonstrating the project will have no impacts for DEQ's review. The documentation could also include an EID checklist if DEQ wants to ensure the borrower will address criteria that DEQ will review. DEQ is transitioning to a new CE review checklist that will document DEQ's review. DEQ consults with other agencies as necessary; . The draft determination is reviewed by the DEQ Loan Manager and signed by DEQ's Water Quality Administrator.
	b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent	—————▶			Projects eligible for a FONSI must submit an Environmental Information Document (EID), which is much more comprehensive than documentation required for a CE. The DEQ review process is largely the same as above except an EID checklist is used by DEQ to assess the potential impacts of the project.
	c. Environmental Impact Statement (EIS)/Records of Decisions (ROD) or the State equivalent	—————			The EIS/ROD process is included in the SERP, but DEQ has not used this process because no CWSRF projects have required an EIS/ROD.
3	How does the State ensure that public notices and meetings, as required by the SERP, are provided during the environmental review process?	—————			DEQ uses a review checklist to verify that the EID shows the community met the public requirements and documented its decision for the selected alternative. DEQ issues the public notice to the local newspaper for draft environmental decisions, posts the draft decision on its web site and mails postcards to identified interested parties from previous public meetings related to the project.
4	How are documented public concerns addressed/resolved by the State in the environmental review process?	—————			DEQ addresses each comment received. The environmental reviewer discusses comments with the regional engineer to determine how to respond to the comments. DEQ's response to comments is included in the final environmental determination.
1.8 Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)					
1	What is the State's process for ensuring compliance with Federal cross-cutting authorities?	—————▶			DEQ uses detailed cross-cutter checklists to determine compliance with Federal cross-cutting authorities. Information may also be included in the EID and/or CE documentation from the recipient. These checklists are contained in DEQ's Loan Handbook.

APPENDIX A
Annual Review Checklist

Required Program Elements

Review Item and Questions to Answer		Yes	No	N/A	Onsite Discussion Summary
2	Does the State use equivalency procedures in applying Federal cross-cutting authorities, and if so, how are assistance recipients selected to comply?	—	—	—	Yes. Projects that are not anticipated to apply for Federal funding from other agencies and meet other criteria (such as not located near a W&S River or SSA) were previously eligible for a Tier II (Alternative) State Environmental Review Process. DEQ is transitioning due to recent prohibition of Tier II, but will likely use similar criteria (i.e. other federal funding) to determine which projects will count towards equivalency; DEQ identifies these requirements by recipient/project in the IUP.
3	What is the State's process for applying Federal cross-cutting authorities to nonpoint source projects or projects that received Categorical Exclusions from environmental review requirements?	—	—	—	DEQ does not apply Federal cross-cutting authorities to nonpoint source projects. The application of Federal cross-cutters to most 212 projects (or treatment works) is applied per 1.8.2. above, regardless of the environmental determination a project may receive.
4	Were there any issues which required formal consultation with other State or Federal agencies, and were these resolved?	X	—	—	The borrowers' environmental documentation included typical consultations with other State and Federal agencies, such as the Idaho Department of Water Resources, Idaho Historical Society, USFWS, USDA, the Corps of Engineers, etc. and DEQ reviews to ensure comments are addressed.
1.9 Compliance with Disadvantaged Business Enterprise Requirements					
1	What is the State's process for ensuring compliance with DBE requirements?	—	—	—	DBE reporting requirements are met by the program loan coordinator sending semi-annual reminders to communities with active loan agreements to submit the DEQ MBE/WBE utilization form. The DEQ grant contact rolls these individual project reports into the EPA utilization report. DBE requirements are included in DEQ's construction bid document specification inserts.
2	Did the State collect 5700-52A DBE reports from assistance recipients (for projects equal to the cap grant) by April 30th and October 30th?	—	—	—	Yes (pending reports recently requested for SFY 14 review). DBE reminders to recipients are proving to be effective, and though a handful of reports are late, recently 100% of the reports have been received. DEQ transitioned to annual DBE reporting per guidance submitted by the EPA Office of Grants and Debarment dated 1/10/14.
1.10 Green Project Reserve Requirements					
1	Has the State entered into assistance agreements to meet the GPR requirement?*	X	—	—	DEQ signed assistance agreements including an estimated \$2,637,578 eligible for GPR out of a FFY 2013 capitalization grant of \$6,520,000 with a GPR target of \$652,000.
	a. If not, when and how does the State plan to meet the requirement?	—	—	—	DEQ is far exceeding the GPR requirements achieving an estimated GPR percentage of 40.5% based on the FFY 2013 cap grant, while the grant target is 10%.
	b. If the State identified carryover GPR projects in the Annual Report, what actions is the State taking to ensure that these projects have an assistance agreement by the end of the fiscal year?	—	—	—	N/A, Idaho did not identify any carryover projects in the Annual Report.
2	Does the State's current process for marketing and solicitation of GPR projects appear adequate for identifying a sufficient number of GPR projects?	X	—	—	DEQ is doing a superb job marketing and soliciting GPR projects
	a. If no, Does the State plan to revise their solicitation process?	—	—	X	
3	Review the CBR data for one or two GPR projects with loans closed during the year under review. From the project descriptions provided, do the projects appear to be eligible GPR projects?	X	—	—	B. Fiedorczyk reviewed the SFY 13 and SFY 14 projects designated for GPR eligibility between 9/4/14 - 12/15/14
	a. Are the projects reported in the correct GPR category?	X	—	—	
4	Were business cases posted to the state website, as required? (N/A if no GPR projects required business cases)	X	—	—	All of the GPR documentation for the SFY 13 and SFY 14 loans signed is posted on DEQ's GPR web page at: http://www.deq.idaho.gov/water-quality/grants-loans/green-project-reserve.aspx

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Required Program Elements

Review Item and Questions to Answer		Yes	No	N/A	Onsite Discussion Summary
	a. Were the posted business cases complete and in accordance with the GPR Attachment to the annual SRF Procedures Guideline?	X			All business cases approved by DEQ through 12/15/14 have been reviewed by EPA. The GPR documentation appears to be sufficient for all projects.
1.11 Davis-Bacon Requirements					
1	What is the State's process for ensuring that Davis-Bacon requirements, including the correct wage determinations, are included in bid documents?	→			Davis-Bacon requirements are part of the Plans & Specs review checklist that regional engineers complete; terms and conditions included in SRF insert. Wage determinations are part of the Bid Documents review checklist.
2	What is the State's process for collecting certifications of compliance with Davis-Bacon from all assistance recipients?	→			Davis-Bacon certifications are provided with each payment request from the assistance recipient.
1.12 Programmatic Risks					
1	What in the State's view are the main programmatic risks facing the program, and what steps are being taken to avoid and/or mitigate them?	→			Concern with reduced demand or marketability due to increasing federal requirements, such as Davis-Bacon, AIS, SERP; perception of heavy admin burden by borrowers. Concern with funding small communities with declining population and ability to be fiscally stable. DEQ is in the process of contracting for a more sophisticated modeling software to begin running various financial scenarios; DEQ conducts detailed financial capability reviews; DEQ helps borrowers through the admin processes, keep interest rates low, coordinates with other funding agencies, and is looking to streamline SERP process
1.13 SRF Administration					
1	Did the State take the full 4% available for administrative expenses during the year under review?	X			
	a. If the State did not take the full 4%, does the IUP indicate that the State will reserve the authority to take the remaining balance in the future?			X	
	b. If the State is banking administrative funds, how are they tracking the available dollars?	→			State not banking administrative funds
2	Is the State using administrative funds for eligible expenses of administering the SRF program?	X			Two of this year's cash draw transaction tests demonstrated that administrative funds were used only for eligible purposes.
1.14 Compliance with Civil Rights Requirements					
1	Does the State provide initial and continuing notice that it does not discriminate on the basis of race, color, national origin, sex, age, or disability in its programs or activities, and does the notification identify the State's civil rights coordinator?	X			EEO/anti-discrimination requirements are included in loan agreements and SRF inserts. State civil rights coordinator not identified, but contact info for the Idaho Commission for Human Rights is available on the State's website at: http://humanrights.idaho.gov/about_us/about_us.html
2	Does the State have appropriate policies or procedures to provide access to its services for persons with limited English proficiency?	X			The State does outreach via the Idaho Commission of Hispanic Affairs (http://icha.idaho.gov/) to provide services to, and serve as a liaison for the Hispanic Community
3	Does the State have grievance procedures to assure the prompt and fair resolution of complaints when a violation of Title VI of the Civil Rights Act or Title 40 CFR Part 5 or 7 is alleged?	X			Complaints may be filed with the Idaho Commission on Human Rights at: http://humanrights.idaho.gov/complaint.html
4	Does the State organization (DEQ) have any other written public or internal policies or procedures regarding nondiscrimination in its programs or activities?	X			DEQ has a robust Human Resources policies and procedures manual (last updated 9/27/10) that incorporates anti-discrimination efforts

* The SRF Q&A document clarifies that States have two years to enter into an assistance agreement for GPR projects identified in the Intended Use Plan. If a project has not signed a loan agreement by the end of the second fiscal year, the State must include an explanation in the Annual Report along with anticipated milestones, and must meet those milestones by the end of the third fiscal year.

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Review Item and Questions to Answer		Yes	No	N/A	Onsite Discussion Summary
2.1 Binding Commitment Requirements					
1	Does the State track and document binding commitments to ensure that 120% of each grant payment is committed to projects within one year of the payment?	X			Annual Report, Attachment C
	a. If the State is having difficulty meeting the binding commitment requirement, what is the plan to correct this?				No corrective plan necessary.
2	Do the dates of binding commitments as documented in the project files reviewed match those reported in the Annual Report?	X			Entries matched in CBR, project files (assistance agreements) and in annual report
3	Does the State track the average time lag between binding commitment and construction initiation? If so, what is the average time lag?		X		Fiscal office tracks average time from execution of assistance agreement to first disbursement and agreement closing. Average time from agreement signing to first disbursement is 8.4 months. Most assistance agreements are for design and construction; initial process for community after signing assistance agreement is to put together RFP for design. Average time from agreement signing to close-out is 33.1 months.
	a. If this is a significant time lag, is it recurring? (If so, note steps the State is taking to correct the situation in the Onsite Discussion column)			X	No significant lag
2.2 Assistance Terms					
1	What is the State's process for establishing assistance terms?				Prior to ARRA interest rates were always set at 75% of the standard bond rate. The program would like to get back to that so the Program Manager took a look at a range of sources such as rates charged by all other CWSRF programs in R10, the national CWSRF average, and the 20 year GO rate. Based on the Program Manager's recommendation, the DEQ Director issues a Policy Memorandum while the IUP is being developed that specifies interest rates for the following SFY. The policy memo for SFY14, 13-03, is referenced in IDEQ's IUP.
	a. Are interest rates less than the market rate?	X			"Effective" interest rate (interest plus fee) range from 1% - 2.25% for 20 year term; 1.25% minimum for 30-year period (2.25% is the base rate but can decrease to as low as 0% based on hardship status of borrower and/or if project sponsors a nonpoint source project).
	b. Do principal repayments start within one year of project completion and end within 20 years, for all projects without extended term financing agreements?	X			
	c. Does the program use extended term financing to the extent it is allowable? (If so report the percentage of project funding used in the Onsite Discussion section.)	X			According to the Annual Report, during SFY 2014 just a single new assistance agreement for \$1.641,000 was signed with Extended Term Financing (ETF) on total binding commitments of \$10,502,611 (15.6%). Overall ETF average 17% of signed commitments. EPA approval of ETF was for up to 50% of fund portfolio.
2	What is the amount and type of additional subsidy provided, and is this consistent with the requirement for the year under review?	X			The FFY 2013 grant was awarded in SFY 2014. The grant condition allowed min/max of ASR at \$307,120/\$460,680 respectively. DEQ signed agreements for \$307,120 of principal forgiveness.
	a. If the State is providing subsidy in the form of grant funds, do assistance agreements require compliance with EPA regulation 40 CFR Part 31?			X	No subsidy provided in the form of grant funds.
3	How does the State periodically evaluate terms of assistance offered relative to the supply and demand for funds and the Fund's long-term financial health?				The Loan Manager includes this information in his internal interest rate assessment, but actual assistance terms are established by the DEQ director. DEQ is currently attempting to contract to have new software designed for financial forecasting and cradle-to-grave project management. When they obtain this software they will use it to determine effective rates for the long-term health of the Fund.

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Review Item and Questions to Answer	Yes	No	N/A	Onsite Discussion Summary
2.3 Use of Fees				
1 Does the State assess fees on assistance? If so, note the fee rate charged and on what basis (e.g., percentage of closing amount, principal outstanding, principal repaid, etc.) in the Onsite Discussion column	X			1% on outstanding principal.
a. Describe how fee income is used by the program. For each use, indicate whether the fee income is program or non-program income.				Program income is used exclusively to supplement the capitalization grant 4% set-aside to administer the loan program. In SFY 2014 the full amount of remaining program income, \$80,237.05 was used. Several years ago EPA approved the use of non-program income to administer the program, provide planning grants to communities, and provide training classes for wastewater operators. Prior to SFY2013 fees had not actually been used for grants or training classes since the Legislature appropriated sufficient State funds. In SFY2014 a total of \$471,629.40 of non-program income was used for these three approved uses.
b. How does the State evaluate the use of fees relative to loan terms to set appropriate total charges to assistance recipients and assess long-term funding needs for program operation?				DEQ reduces the interest rate by the amount of the fee so there is no net impact on the borrower. DEQ has not assessed the long-term funding needs for program operation with respect to setting fees. DEQ charges a high fee rate (1%) relative to annual uses and EPA's projected future uses/needs. However DEQ transfers excess fees into the Fund corpus on an ad hoc basis so the actual balance of the fee account is always kept within acceptable norms and the impact to the Fund is minimized.
c. What are the State's procedures for accounting and reporting fee use?				Fee expenses are tracked using project ID codes in the state accounting system. DEQ maintains a spreadsheet to report program and non-program fee revenues and expenses in the annual report.
2.4 Assessment of Financial Capability and Loan Security				
1 What are the State's procedures for assessing the financial capability of assistance recipients?				DEQ conducts a Financial Capability Review that looks at the financial indicators of the credit worthiness of a potential borrower, including the Current Ratio, accounts receivable, reserve accounts, and annual budgets.
a. Do Project File Reviews indicate that these policies and procedures are being followed?	X			Both project files included a copy of the Financial Capability Review spreadsheet
2 How does the State ensure that assistance recipients have a dedicated source of revenue for repayment or, for privately-owned systems, adequate security to assure repayment?				During the financial capability assessment, DEQ examines the user rates and credit worthiness of the recipient. Additionally, the assistance agreement requires the recipient to accumulate through user charges, revenue bonds, or otherwise to establish a fund dedicated solely to assistance repayment, capital replacement, and future improvements. The assistance agreement also requires the recipient submit a proposed user charge system to DEQ for approval and to then review and update the user charge system at least biennially during the life of the assistance agreement.
3 How does the State ensure that assistance recipients have access to additional funding sources, if necessary, to ensure project completion?				DEQ coordinates with other funding agencies to ensure projects are fully funded. DEQ also increases existing assistance agreements upon request.
2.5 Cash Draws				
1 Describe the State's disbursement process and the reviews/internal controls utilized to ensure that disbursements adhere to the Federal cash draw rules.				Borrowers submit DEQ's reimbursement request forms with supporting invoices to the DEQ regional engineers. Regional engineers go through each invoice to ensure that all items are eligible and that the total requested funds are justified via the invoices. Once a regional engineer signs off on all the disbursement request, it is sent to the program accountant in the Fiscal Office. He ensures the amount of the disbursement request matches the total of all the invoices, processes the request for payment, and ensures that disbursements adhere to the rules of Federal cash draws.

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Review Item and Questions to Answer	Yes	No	N/A	Onsite Discussion Summary
2 Have any improper payments been discovered by the State? (If so , note corrective actions that have been taken in the Onsite Discussion column)	X			Weiser (WW1304) was jointly funded by DEQ's CWSRF and USDA's RD. In payment request #1, Weiser appropriately documented invoices for \$210,887 of incurred costs which were submitted to DEQ for payment. However USDA's Community Program Specialist only approved \$76,887.25 to be paid by DEQ and the remaining \$134,000 were to be paid by Weiser. After Weiser realized its mistake, it returned the \$134,000 it should not have requested from DEQ's CWSRF. DEQ completed a no draw/match disbursement to consume the funds and credit the \$134,000 back to CWSRF grant CS 160001-13.
a. Were all improper payments adequately resolved?	X			
b. If improper payments occurred as a result of internal control deficiencies, how will the State review and/or modify its internal controls to decrease the potential for erroneous payments to occur in the future?				No internal control deficiencies.
2.6 State Match				
1 What is the State's source of state match? Is this source sufficient to provide the 20% match now and into the foreseeable future?				State match for both SRFs is provided by the Water Pollution Control Account (WPCA). Under Title 63, Chapter 36 of the Idaho Code, the WPCA has a perpetual \$4.8 million appropriation from the State sales tax. Every month \$400,000 of sales tax receipts is transferred into the WPCA. This secure funding source for State match is sufficient for now and appears to be a sufficient amount to provide the match for the next few years. DEQ is putting in place the appropriate State rules, updates to the CWSRF Operating Agreement, and permission from EPA HQ to allow the State to bond for Match. The State is also considering the possibility of using fees to pay for match in the future.
2 If bonds are issued for state match, and the SRF is used to retire these bonds, do the bond documents clearly state what funds are being used for debt service and security?			X	DEQ does not bond for match.
a. Has the State's current match bond structure been approved by Headquarters? (Provide details in the Onsite Discussion column)			X	
3 Do State accounting records indicate that match funds were deposited at or before applicable federal cash draws?	X			
2.7 Transaction Testing for Improper Payments				
1 Are State accounting records of federal funds received consistent with federal records of federal funds disbursed?	X			
2 Does the State track the average length of time between request and disbursement? If so, what is the average time lag?		X		EPA found during transaction testing that average time is usually less than 30 days.
3 What proportionality ratio is the State using for cash draws, and how did they establish that ratio? Is the current cash draw proportionality ratio allowing them to use an efficient cash management approach?				83.33% Federal/16.67% Match. Yes, efficient cash management approach.

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Review Item and Questions to Answer		Yes	No	N/A	Onsite Discussion Summary
2.8 Timely and Expeditious Use of Funds					
1	Does a review of the IUP and Annual Report confirm that the State is using SRF funds in a timely and expeditious manner, i.e. within one year of receipt?	X			Annual Report, Attachment C shows 127% of the total funds available have been obligated into new assistance agreements.
	a. What is the State's balance of uncommitted funds?				Zero. As of June 30, 2014 all funds (i.e. Federal, State Match, P&I, and investment income) have been committed.
	b. What is the State's balance of unliquidated funds?				All Federal capitalization grants are fully disbursed less than a year after award. As of three weeks prior to this review (December 15, 2014) CS 160001-13 had been fully disbursed and CS 160001-14 only had \$232,936 of admin still remaining to be drawn.
	c. What is the trend in uncommitted and unliquidated funds over the past 2-3 years?				DEQ both commits and draws all Federal funds within a year of receipt.
2	If the State needs to improve its use of funds to ensure timely and expeditious use, what is the State's plan to address the issue?				DEQ both commits and uses its funds in a timely and expeditious manner. There is no need to improve IDEQ's use of funds.
	a. If the state was required to develop a plan demonstrating timely and expeditious use of funds, is progress being made on meeting this plan?			X	DEQ was not required to develop a plan demonstrating timely & expeditious use of funds.
2.9 Financial Management					
1	What are the State's short and long-term financial goals, and how is the State's financial management designed to achieve these goals?				The State does not have short and long term financial goals other than to lend out all the funds available each year. DEQ bases funds available as per cash on hand but factors into the formula that most assistance agreements have at least 5% deobligation so they are often able to lend more than 100% of the total funds available. For the past three years there has been a much larger demand than funds available. There were a large number of early repayments that DEQ was able to use to meet some of this demand, but they have also decided to transfer \$10M from the DWSRF to the CWSRF in SFY2015 to attempt to meet some of this excess demand.
	a. Are NIMS financial indicators for the State improving over time? If not, which indicators are declining?	X			
2	What is the State's long-term financial plan to direct the program?				State does not have a long-term financial plan other than to lend out all the funds available each year.
	a. Was financial modeling used to develop the plan? How was modeling conducted?		X		DEQ has not conducted long-term planning. They are in the process of contracting for financial modeling software. Once they have acquired the software they intend to use modeling to develop a long-term financial plan, set interest rates, etc.
	b. How often is the plan reviewed and updated?				DEQ does not have a long-term plan.
	c. Does planning address types of assistance and terms, use of leveraging, and transfers or cross-collateralization between programs?			X	DEQ does not have a long-term plan.
3	Describe the State's leveraging structure and activities, including ratio, frequency, amount, use of funds, impact on interest rates, etc. (N/A if the state does not leverage)				N/A DEQ does not leverage.
	a. Is leveraging activity consistent with the leveraging activities described in the IUP, Annual Report and bond documents?			X	
	b. Are net bond proceeds, interest earnings, and repayments being deposited into the fund?			X	

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Review Item and Questions to Answer	Yes	No	N/A	Onsite Discussion Summary
4 Does the State have any issues related to loan restructuring, the potential for defaults, and the timeliness of loan repayments? How are these issues being handled?	X			<p>Only issue remains the North Lake situation (CWSRF loans 1899-09, 1899-16, and 1899-18 that have been reported on for the past several years.) On December 2, 2014, North Lake did make \$235,508.65 towards repayment on Loan 1899-09 and \$170,536.95 on Loan 1899-16. No payments have yet been made towards Loan 1899-18. Combined, North Lakes is currently delinquent on approximately \$4.2 million in principal repayments and over \$2.4 million in accrued interest.</p> <p>DEQ is taking an active role in monitoring and assisting North Lake's efforts at securing repayments. The majority of properties subject to the North Lake Local Improvement District (LID) assessments have varying ownership interest by Tamarack, their affiliated companies, and individuals. On September 1, 2010, North Lake filed a claim against Tamarack Resort LLC for approximately \$36 million in the Tamarack bankruptcy action. The District Court previously confirmed North Lake's statutory priority above other creditors in the Tamarack Resort foreclosure proceeding. North Lake assessments have since been certified on the county tax rolls for the individual properties associated with the LID for collection and/or foreclosure. The delinquent LID assessments have been certified to Valley County for addition to the tax bills. Credit Swiss recently purchased the Tamarac ski lodge, resort, and golf course. Though the proceedings are still in court, DEQ anticipants larger repayments may begin in the next year or two as these specific properties reopen and generate revenue.</p>
5 What rate of return is the SRF earning on invested funds?				<p>Idle Cash = 0.41% Diversified Bond Fund = 2.28%</p>
2.10 Compliance with Audit Requirements				
1 Are annual audits being conducted by an independent auditor?	X			The Idaho State Legislative Services Office (LSO) conducts annual audits.
a. Who conducted the most recent audit? Note date of most recent audit in Onsite Discussion column.				LSO issued an Individual Entity Audit Report of the CWSRF for SFY2013 on 3/21/14. The CWSRF was also identified as a major program in the Statewide Single Audit on 3/28/14.
b. Did the program receive an unqualified opinion? If a qualified opinion was given, note the reason(s) in the Onsite Discussion column	X			Unmodified opinion for the CWSRF in both reports.
c. Were there any findings? If so, describe the findings and resolutions in the Onsite Discussion section	X			<p>There were no findings in the Independent Entity Audit Report.</p> <p>The Single Audit identified one finding: noncompliance and significant deficiency related to FFATA reporting. The auditors determined that the appropriate Federal Funding Accountability and Transparency Act (FFATA) information was reported for both the Clean Water and Drinking Water State Revolving Funds for the FFY 2011 and FFY 2012 capitalization grants; however, the Department did not document a review and approval of the FFATA report or maintain documentation to support the completion of timely reporting. In the absence of appropriate supporting documentation, the auditors were unable to determine that internal controls were adequately designed and implemented to ensure accurate and timely FFATA reporting.</p> <p>The LSO recommended that DEQ implement internal controls to properly document the review and approval of timely FFATA reporting. DEQ agreed with the finding and implemented measures to ensure that there is proper document review and approval of timely FFATA reports. DEQ's new procedure is to print a report when data is entered into the federal reporting system. The report indicates both the loan obligation date and the report month, which enables verification of compliance with FFATA reporting requirements. In addition, a supervisor documents a review of each report and the reports are stored in DEQ's Total Records Information Management (TRIM) system. The LSO reviewed current FFATA reports, verified the implementation of the internal controls which include documenting the review and timing of the reports and reported this finding as closed on November 19, 2014.</p>
d. Are the financial statements in conformance with GAAP?	X			

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Review Item and Questions to Answer	Yes	No	N/A	Onsite Discussion Summary
2 If there were recommendations in the audit report and/or recommendations in the "Management Discussion & Analysis" letter, has the State implemented them?	X			There were no recommendations in the Individual Entity Audit Reports or MD&A letter. DEQ has implemented the recommendation from the Single Audit.
3 Did the most recent audit confirm compliance with State laws and procedures?	X			
a. Did the audit include any negative comments or issues regarding the State's internal control structure?	X			There were no issues in the Independent Entity Audit Report. The one internal control issue related to compliance is in the Single Audit and is detailed above in question 2.10(1)(c).
b. Did the audit identify any erroneous payments/cash draws/disbursements?		X		No erroneous payments identified.
c. Has the State taken action to recover the improperly paid funds?			X	
4 Did the most recent audit include any repeat findings (from previous audits)?		X		There have not been any findings since the SFY2011 audit. Those findings have been resolved.
a. Have audit findings discussed during the previous Annual Review been resolved?			X	There have not been any findings since the SFY2011 audit. Those findings have been resolved.
5 Did the most recent audit find that state cash management and investment practices consistent with State law, policies, and any applicable bond requirements?	X			
6 How does the State notify assistance recipients of the requirement to provide a single audit if they expend more than \$500,000 in Federal funds?				The fiscal year is different for different types of Idaho borrowers (City's, Districts, Associations, etc.). At the end of the respective borrower's fiscal year and again seven months later as a reminder, DEQ send a letter stating the amount of Federal funds received during the fiscal year and the CFDA number.
a. What is the State's process for reviewing assistance recipients' audits and following up with recipients on resolving issues and/or findings?				Each borrower that DEQ disburses close to or more than \$500,000 of Federal funds to is required to send the single audit directly to DEQ (new position - Jennifer). Jennifer keeps track and calls the borrower if DEQ has not received a single audit from a required borrower. Additionally, Jennifer contacts each borrower that received substantially less than \$500,000 of Federal funds from DEQ to see if they will need to complete a single audit or not. Jennifer reviews every single audit DEQ receives to see if there are any findings related to the CWSRF. DEQ has not decided yet on the process for resolving findings since no findings have been identified since the new audit coordinator position was formed.
2.11 Financial Risks				
What in the State's view are the main financial risks facing the program, and what steps are being taken to avoid and/or mitigate them?				Main financial risk is declining populations in small municipalities. When a town's one large employer leaves most of the businesses are forced to shut down as well and the population declines. The concern is that there won't be enough folks left to pay back the assistance agreements (similar situation to the Tamarac/North Lake issue). To address this concern DEQ has changed its underwriting policy. DEQ requires these borrowers to form an LID before they will approve the assistance application so they can evaluate users and what would happen if the big employee/rate payer in town leaves (impact on remaining residents and apply to repay). Another risk is the rate of return earned by the State Treasurer in the diversified bond Fund. It's losing money and DEQ is concerned about its investments though they last time they transferred funds from the bond fund into idle cash the Treasurer did not deduct any loses.

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EPA's Clean Water Infrastructure Sustainability Policy: Discussion Questions

Review Item and Question to Answer	Yes	No	N/A	Onsite Discussion Summary
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Note: Questions are applicable only to projects funded in FY 2011 and after. SRF activities in support of the Sustainability Policy are voluntary but strongly encouraged by EPA.

4.1 Sustainability

1	How does the State encourage the use of asset management programs? Does the State's Project Priority List (PPL) include projects that emerged as a result of an asset management program?				DEQ's project rating criteria provides points for using a formal asset management system (such as CUPSS) and having a funded capital budget that is supported by a capital improvement plan. The PPL does not include specific projects related to asset management as this is a component of the overall priority ranking system.
2	How does the State encourage planning processes by potential SRF recipients that:				
	a. include steps to consider other relevant community sustainability priorities from other sectors, such as transportation and housing?				DEQ conducts joint training with USDA-Rural Development for consultants and grant administrators. DEQ does not have a specific program for promoting community sustainability. Cyndi Grafe (EPA) recently recommended to DWSRF program that DEQ attend small community reviews with Idaho Rural Partnership (HUD, Dept. of Commerce, DOT, Idaho Housing Authority).
	b. evaluate a range of alternatives, including green and or decentralized alternatives, based on full life-cycle costs?				DEQ requires Facility Plans to evaluate alternatives and this is also a requirement within the planning grant agreements used by most communities to develop their Facility Plans. Loan applicants receive bonus points from the priority ranking system for selecting green alternatives. DEQ also promotes this information via the Letter of Interest web site and flyers to communities.
	c. ensure that potential recipients have a financial system in place, including appropriate rates, to ensure that future projects will be funded, operated, maintained and replaced over time, with appropriate considerations for low income households?				The priority ranking system provides points for using a formal asset management system (such as CUPSS) and having a funded capital budget that is supported by a capital improvement plan. DEQ also requires a loan reserve account which can be shifted to capital improvements once it is no longer required for loan security. The Financial Capacity Review looks at future operating costs during the loan application process. DEQ has expressed interest in implementing Full Cost Pricing, since currently facility plans describe O&M costs, but do not thoroughly consider funding for project replacement over time. DEQ currently provides principal forgiveness to state defined disadvantaged communities as a means to help keep projects affordable based on percentage of user rates to median household income.
3	Does the State's project pipeline include projects that utilize green infrastructure or decentralized approaches as an integral part of the treatment process? Describe any activities that the State uses to encourage these types of projects.		X		DEQ does not currently consider green infrastructure a priority within Idaho.
4	Does the project pipeline include projects that maintain or create additional green space? Examples could include riparian buffer zones or conservation easements. Describe any activities the State uses to encourage these types of projects.	X			Recently, DEQ has been funding nonpoint source projects that are sponsored by traditional WWTP projects, though none were funded in SFY 2014 (only 3 new projects signed into loan)
5	Does the project pipeline include projects that make use of technologies and practices to reduce energy and/or water consumption, and use energy in a more efficient way, and/or produce/utilize renewable energy? Describe any activities the State uses to encourage these types of projects.	X			GPR eligible projects (including energy and water efficiency) are promoted during the letter of interest stage of DEQ's funding cycle and continued to be emphasized throughout the design process. DEQ's priority ranking system provides points for sustainable projects and this includes projects with GPR eligible components. DEQ also devotes part of an engineer's FTE to following up with communities to evaluate and quantify GPR accomplishments and refine business cases required by EPA's GPR guidance. DEQ consistently greatly exceeds the minimum GPR requirements. The majority of these project components are related to energy efficiency as they directly translate into cost savings for ratepayers.

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EPA's Clean Water Infrastructure Sustainability Policy: Discussion Questions				
Review Item and Question to Answer	Yes	No	N/A	Onsite Discussion Summary
<i>*Note: Questions in the Resiliency to Extreme Events and Climate Change section do not need to be addressed during the onsite review, but must be completed through conversations with the State during the course of the year.</i>				
4.2 Resiliency to Extreme Events and Climate Change*				
1				
1. Is there a state climate change or adaptation plan?	X			The Idaho State Hazard Mitigation Plan 2013 prepared by the Idaho Bureau of Homeland Security
a. If so, does it include a role for water infrastructure or the SRF's?	X			Indicated in Chapter 4 as a program/capability for funding projects and plans
2				
Does the SRF program provide information about eligible costs related to developing or implementing an adaptation plan in the IUP or other program information?		X		
3				
Does the SRF program provide incentives to encourage facilities to incorporate potential climate change impacts or strategies for building resilience to extreme events in new or revised facilities plans? Extreme events may include Intense precipitation and flood, increasing temperatures and drought, or sea level rise, increasing intensity of coastal storms, and storm surge.		X		
a. What incentives does the SRF program provide?				None
4				
Does the state have plans in place for rebuilding water (and other) infrastructure after damage from an extreme event, in ways that decrease vulnerability and increase resilience to future extremes?	X			The Hazard Mitigation Plan includes risk determinations and mitigation planning for critical infrastructure both generally and per risk area (such as flooding or severe storms).
5				
Are the state SRF program staff aware of sources of information to help you understand and plan for future resiliency, e.g., EPA's Climate Ready Water Utilities tools and information? (available at http://water.epa.gov/scitech/climatechange/)	X			Climate Ready Water Utilities info sent to all R10 states

Project File Review Checklist
for the Clean Water State Revolving Funds (SRFs)

State: ID Date Reviewed: 12/15/14
 Project or Borrower: Fruitland WW1301 Reviewed By: B. Fiedorczyk

Required Program Elements

Review Item and Question to Answer		Yes	No	N/A	Comments
1.1 Funding Eligibility					
1	File contains an application submitted by the recipient	X			Form 2-A (Loan Application) dated 6/8/12
2	The assistance recipient and project is eligible for CWSRF assistance	X			Construction of a combined wastewater treatment facility that will replace two wastewater treatment facilities operating in the City of Fruitland.
3	All technical documents required by the state for the type of project have been submitted (preliminary engineering reports, plans & specs, etc.) and reviewed	X			Phase 1: DEQ Plans & Specs approval letter dated 1/31/13; Phase 2: DEQ Plans & Specs approval letter dated 8/19/13
1.2 Green Project Reserve (GPR)					
1	Project file indicates that any portion of the project designated to receive GPR funding is either:				
	a. Categorically qualified for the GPR	X			Energy efficiency (UV system, lift station, interceptor) portion of GPR documentation
	b. Supported as GPR eligible by a State-approved business case	X			Environmentally innovation (biological nutrient reduction) and energy efficiency (VFDs, SCADA controls, tertiary filter) sections of GPR documentation
2	Business case has been posted on State website by the end of the quarter in which the project was funded	X			Interim business case is posted on State's GPR page: http://www.deq.idaho.gov/water-quality/grants-loans/green-project-reserve.aspx
1.3 Socio-Economic and Other Cross-Cutters					
1	Project file contains documentation that the assistance recipient agrees to comply with the following <i>[required for projects in an amount equal to the capitalization grant]</i> :				
	a. Equal Employment Opportunity requirements (Executive Order 11246)	X			Assistance Agreement Section III-D
	b. Suspension and Debarment prohibitions (Executive Order 12549)	X			Assistance Agreement Section X-A.5
	c. Disadvantaged Business Enterprise requirements	X			Assistance Agreement Section III-E
	d. Environmental Justice (Executive Order 12898)	X			EID checklist
1.4 State Environmental Review					
1	Project File includes the following, as appropriate <i>[Note: may be included in the Preliminary Engineering Report or Facilities Plan]</i> :				
	a. Discussion of required mitigation measures	X			Environmental Impacts section of EID
	b. Analysis of other sites and/or other projects considered	X			Alternatives Evaluated section of EID
2	The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i> :	X			Sec 212 WWTP project
	a. For projects subject to the SERP, file includes an Environmental Information Document (EID) from the assistance recipient <i>[N/A for projects receiving a Categorical Exclusion]</i> :	X			Final EID dated 2010 (Pharmer Engineering) and EID Amendment memo dated 9/11/12 (Pharmer Engineering)
3	File contains the state's decision memo (with environmental assessment, as applicable) documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE or CatEx)			X	FONSI issued
	b. Decision to grant a Finding of No Significant Impact (FNSI or FONSI)	X			Final FONSI determination issued by DEQ on 2/9/12; EID checklist dated 10/6/11; FONSI reaffirmation issued by DEQ on 10/23/12
	c. Decision to require an Environmental Impact Statement (EIS)			X	FONSI issued
4	File includes Environmental Impact Statement and accompanying Record of Decision <i>[N/A for projects receiving a Categorical Exclusion or Finding of No Significant Impact]</i>			X	FONSI issued

Project File Review Checklist
for the Clean Water State Revolving Funds (SRFs)

		Required Program Elements		
Review Item and Question to Answer	Yes	No	N/A	Comments
5	File includes evidence of public notification, as required:			
a.	X			Affidavit, article and invoice that notice was published in the Independent Enterprise on 1/4/12 (Final) and 10/31/12 (Reaffirmation)
b.	X			30-day comment period
c.			X	Final determination letter indicates no comments were received
1.5	Environmental Cross-Cutters [required for projects in an amount equal to the capitalization grant, including projects not subject to the SERP and projects receiving a categorical exclusion]:			
1	For each of the laws listed below, does the project file contain either documentation of a State determination of "no potential effect", OR concurrence from the agency responsible for administering the law?			
a.	X			EID checklist; no ESA specifies in project planning area; consultation letter from Idaho Fish & Game dated 11/16/10
b.	X			EID checklist; Idaho SHPO concurrence letter dated 12/1/10; Shoshone-Paite Tribes consultation letter dated 10/7/12
c.	X			EID checklist
d.			X	N/A in Idaho
e.	X			EID checklist
f.	X			EID checklist
g.	X			EID checklist; Idaho State Floodplain Coordinator concurrence letter dated 9/27/10
h.	X			EID checklist
i.	X			EID checklist

Required Technical Elements				
Review Item and Question to Answer	Yes	No	N/A	Comments
2.1 Bid, Procurement, and Construction Contracts				
1 File contains request for proposals or bid announcement	X			Interceptor Phase 1: Invitation to Bid with bid opening date of 3/14/13 WWTP Phase 2: Invitation to Bid with bid opening date of 10/30/13
2 File contains evidence that request for proposals or bid announcement was advertised according to state rules	X			Phase 1: Invitation to Bid published in Independent Enterprise on 2/27/13 and 3/6/13; Phase 2: Invitation to Bid published in Independent Enterprise on 10/2/13 and 10/9/13. Meets requirement of a minimum 14-day notice per Idaho Code 67-57.
3 File contains a copy of specifications or construction contracts OR documentation that these items were reviewed by the State	X			Phase 1: Bid Package dated Feb 2013 and DEQ Authorization to Award dated 1/31/13 (Warrington); Phase 2: Bid Package (WWTP Phase 2) dated Oct 2013 and DEQ Award Authorization letter dated 11/21/13 (JC Constructors)
4 File contains documentation that specifications or construction contracts contain the following required socio-economic cross-cutter language and forms <i>[required for projects in an amount equal to the Federal</i>				
a. Disadvantaged Business Enterprise (DBE) good faith efforts	X			Specification Insert included in Phase 1 and 2 bid packages - Form 6-F (Requirements for DBE and EEO), Form 6-H (Statement of Compliance with DBE); both forms include DBE good faith efforts
b. DBE forms 6100-2, 6100-3 and 6100-4	X			Specification Insert included in Phase 1 and 2 bid packages - Form 6-T (DBE Subcontractor Participation Form - 6100-2), Form 6-U (DBE Subcontractor Performance Report - 6100-3); Form 6-V (DBE Subcontractor Utilization Form - 6100-4)
c. Equal Employment Opportunity requirements (Executive Order 11246)	X			Specification Insert included in Phase 1 and 2 bid packages - Form 6-I (Contractor's Compliance Statement for EEO), plus other SRF insert forms that describe EEO requirements
d. Suspension and Debarment prohibitions (Executive Order 12549)	X			Phase 1: SAM searches for prime contractor and subs dated 3/26/13 Phase 2: SAM searches dated 11/19/13
5 File includes documentation that specifications or construction contracts contain the applicable EPA Davis-Bacon grant term and condition <i>[For CWSRF projects, Davis-Bacon requirements only apply to treatment works projects and publicly-owned decentralized treatment projects regulated by a NPDES permit.]</i>	X			Form 6-C in Spec Insert included in both bid packages
a. File includes documentation that specifications or construction contracts contain the applicable Davis-Bacon wage determination(s)	X			Phase 1: General Decision Number: ID130062, Mod. 0 dated 1/4/2013 Phase 2: General Decision Number: ID130062, Mod.4 dated 09/27/2013
b. For assistance recipients that are non-governmental entities: File includes documentation that state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	Municipal government
2.2 Reporting and Ongoing Compliance				
1 File includes information to support project data entered into the CWSRF Benefits Reporting (CBR) database	X			B. Fiedorczyk checked 12/15/14 - entries appeared accurate
2 Project file includes semi-annual DBE reports on subcontracting procurement (DBE form 5700-52A or equivalent) <i>[required for projects in an amount equal to the Federal capitalization grant]</i>	X			DBE reports (Form 6-O) from recipient, second half biannual report for FFY 2013 and annual report for FFY 2014
3 Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll	X			Certification from recipient on compliance with D-B on numerous reimbursement request forms (#1 - #17) submitted between 10/1/12 and 10/20/14

Required Technical Elements

	Required Technical Elements			
Review Item and Question to Answer	Yes	No	N/A	Comments
2.3 State Inspections				
1 Project file includes copies of inspection reports prepared by the state or its representative	X			DEQ Interim Inspection Reports dated 3/11/14, 6/4/14, and 7/16/14; Pharmer Engineering monthly construction field reports (May 2014-Aug 2014) with construction updates and photos
2 Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)	X			
3 Inspection reports indicate project is in compliance with:				
a. Davis-Bacon requirements	X			Part 9 of interim inspection reports
e. Green Project reserve eligibility (when applicable)		X		Not included in inspection reports
4 All issues and concerns identified in inspection reports were adequately resolved			X	No significant project or program issues noted

Required Financial Elements				
Review Item and Question to Answer	Yes	No	N/A	Comments
3.1 Financial Review				
1 File includes documentation that the applicant underwent a financial capability review [may be N/A for projects receiving 100% principal forgiveness or grant]	X			Financial capability review model/checklist completed by DEQ
3.2 Loan or Bond Purchase Agreement				
1 The loan agreement or bond purchase document:				
a. Is signed by the state and assistance recipient (record date in comments)	X			Assistance Agreement signed by DEQ on 8/26/12 and recipient on 9/6/12
b. Includes a budget and/or description of eligible costs	X			Assistance Agreement Section II.D/E; \$10,000,000 total including admin/legal costs, engineering fees, treatment and collection
c. Includes the interest rate	X			Assistance Agreement Section II.D - 1.25%
d. Includes the fee rate (if applicable)			X	Assistance Agreement Section VIII.D - 0%; 2-year interim financing for a USDA loan
e. Includes an amortization schedule or includes the repayment period and the date when repayments must begin [N/A for projects receiving 100% grant or principal forgiveness]	X			Assistance Agreement Section VIII.B
f. Includes requirement for the assistance recipient to submit Single Audit Reports [N/A for non-governmental assistance recipients][only required for projects in an amount equal to the grant]	X			Assistance Agreement Section III.N
g. Requires the assistance recipient to maintain accounting practices in accordance with Generally Accepted Accounting Principals	X			Assistance Agreement Section IV.O
2 The interest rate is in accordance with the state's policies and procedures	X			
3 The repayment period is in accordance with the state's policies and procedures:				
a. For loan agreements, repayment period does not exceed 20 years	X			2-year agreement
b. For bond purchase documents, repayment periods exceeding 20 years are in accordance with a state extended term financing program approved by EPA			X	2-year term
4 The loan or bond purchase document makes reference to Davis-Bacon requirements	X			Assistance Agreement Section IV.Q
3.3 Single Audit Act compliance				
1 The assistance recipient is submitting Single Audit Reports [N/A for a fiscal year if assistance recipient has not expended more than \$500,000 in Federal funds from all sources in the fiscal year, or is a non-equivalency project]			X	No fed funds disbursed for FY ending 9/30/13 so no single audit due. DEQ letter sent to Fruitland for FY ending 9/30/14 for fed funds disbursed (\$1,050,318) but single audit not due until June 2015. Follow up letter scheduled to be sent to Fruitland in April 2015 if single audit for FY14 not yet received.
a. The state ensured that the assistance recipient addressed findings and resolved any issues identified in a Single Audit Report			X	No single audit yet due/received.

Project File Review Checklist
for the Clean Water State Revolving Funds (SRFs)

State: ID Date Reviewed: 12/15/14
 Project or Borrower: Hayden Lake WW1309 Reviewed By: B. Fiedorczyk

Required Program Elements

Review Item and Question to Answer	Yes	No	N/A	Comments
1.1 Funding Eligibility				
1 File contains an application submitted by the recipient	X			Form 2-A (Loan Application) dated 12/28/12
2 The assistance recipient and project is eligible for CWSRF assistance	X			Treatment facility improvements to include flow equalization, biological nutrient removal, tertiary filtration, biosolids improvements, a new headworks, disinfection system, and effluent pumping; collection line improvements and lift station installation.
3 All technical documents required by the state for the type of project have been submitted (preliminary engineering reports, plans & specs, etc.) and reviewed	X			Final HARSB Wastewater Facilities Plan prepared by JUB Engineers, dated 11/20/12; DEQ schedule approval dated 7/1/13; 95% Plans & Specs submitted on 11/18/13 - DEQ Plans & Specs approval letter dated 1/16/14
1.2 Green Project Reserve (GPR)				
1 Project file indicates that any portion of the project designated to receive GPR funding is either: a. Categorically qualified for the GPR	X			Energy efficient lighting portion of GPR documentation
b. Supported as GPR eligible by a State-approved business case	X			Environmentally innovation (biological nutrient reduction) and energy efficiency (VFDs and SCADA controls) sections of GPR documentation
2 Business case has been posted on State website by the end of the quarter in which the project was funded	X			Interim business case is posted on State's GPR page: http://www.deq.idaho.gov/water-quality/grants-loans/green-project-reserve.aspx
1.3 Socio-Economic and Other Cross-Cutters				
1 Project file contains documentation that the assistance recipient agrees to comply with the following <i>[required for projects in an amount equal to the capitalization grant]</i> :				
a. Equal Employment Opportunity requirements (Executive Order 11246)	X			Assistance Agreement Section III-D
b. Suspension and Debarment prohibitions (Executive Order 12549)	X			Assistance Agreement Section X-A.5
c. Disadvantaged Business Enterprise requirements	X			Assistance Agreement Section III-E
d. Environmental Justice (Executive Order 12898)	X			EID checklist
1.4 State Environmental Review				
1 Project File includes the following, as appropriate <i>[Note: may be included in the Preliminary Engineering Report or Facilities Plan]</i> :				
a. Discussion of required mitigation measures	X			Section 5 of Final EID
b. Analysis of other sites and/or other projects considered	X			Section 2 of Final EID; Final Facility Plan
2 The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i> :	X			Treatment works project
a. For projects subject to the SERP, file includes an Environmental Information Document (EID) from the assistance recipient <i>[N/A for projects receiving a Categorical Exclusion]</i> :	X			Final EID dated March 2013
3 File contains the state's decision memo (with environmental assessment, as applicable) documenting one of the following:				
a. Decision to classify the project as a Categorical Exclusion (CE or CatEx)			X	FONSI issued
b. Decision to grant a Finding of No Significant Impact (FNSI or FONSI)	X			Final FONSI determination issued by DEQ on 6/6/13; EID checklist completed by DEQ dated Jan 2013
c. Decision to require an Environmental Impact Statement (EIS)			X	FONSI issued
4 File includes Environmental Impact Statement and accompanying Record of Decision <i>[N/A for projects receiving a Categorical Exclusion or Finding of No Significant Impact]</i>			X	FONSI issued

Project File Review Checklist
for the Clean Water State Revolving Funds (SRFs)

		Required Program Elements		
Review Item and Question to Answer	Yes	No	N/A	Comments
5	File includes evidence of public notification, as required:			
	a. State environmental decision memo received public notification or an announcement was distributed to a list of interested parties and agencies, as specified in the SERP	X		
	b. The comment period was in accordance with state procedures	X		Affidavit, article and invoice that notice was published in the Coeur d'Alene Press on 6/13/13
	c. The state addressed all comments.			30-day comment period
			X	Final determination letter indicates no comments were received
1.5	Environmental Cross-Cutters <i>[required for projects in an amount equal to the capitalization grant, including projects not subject to the SERP and projects receiving a categorical exclusion]:</i>			
1	For each of the laws listed below, does the project file contain either documentation of a State determination of "no potential effect", OR concurrence from the agency responsible for administering the law?			
	a. Endangered Species Act and Magnuson-Stevens Fishery Conservation and Management Act (essential fish habitat)	X		EID checklist; USFWS concurrence email (no ESA species in project vicinity) dated 11/13/12; Idaho Fish & Game concurrence letter dated 11/7/12
	b. National Historic Preservation Act	X		EID checklist; ID SHPO concurrence letter dated 11/21/12
	c. Wild and Scenic Rivers Act	X		EID checklist
	d. Coastal Zone Management and Coastal Barriers Resources Act		X	N/A in Idaho
	e. Farmland Protection Policy Act	X		
	f. Wetland Protection (Executive Order 11990)	X		EID checklist; US Corps of Engineers concurrence letter dated 11/28/12
	g. Flood Plain Management (Executive Order 11988)	X		EID checklist; Idaho State Floodplain Coordinator concurrence email dated 11/13/12
	h. Clean Air Act	X		EID checklist
	i. Sole-source Aquifers (Safe Drinking Water Act)	X		EID checklist; EPA concurrence email dated 1/2/13

Required Technical Elements

Review Item and Question to Answer		Yes	No	N/A	Comments
2.1 Bid, Procurement, and Construction Contracts					
1	File contains request for proposals or bid announcement	X			Biological Nutrient Removal (BNR) Phase: bid pre-qualification notice dated 12/28/12; Lift Station Phase: bid notice dated 6/18/14
2	File contains evidence that request for proposals or bid announcement was advertised according to state rules	X			BNR - bid opening on 4/9/14, Affidavit of Publication (for Pre-Qualification of contractors) dated 12/28/12 and 1/7/13 in the Coeur d'Alene Press including copy of article [meets requirement of a minimum 14-day notice and pre-qualification process per Idaho Code 67-57.]; Lift Station bids due on 7/15/14 (opened on 7/24/14), Legal notice indicates bid ad published on 6/18/14 and 6/28/14 in the Coeur d'Alene Press [meets requirement of a minimum 14-day notice per Idaho Code 67-57.]
3	File contains a copy of specifications or construction contracts OR documentation that these items were reviewed by the State	X			BNR: Bid Package dated April 2014 and DEQ Authorization to Award dated 5/6/14; Lift Station: Bid Package dated July 2014 and nd DEQ Authorization to Award dated 8/5/14
4	File contains documentation that specifications or construction contracts contain the following required socio-economic cross-cutter language and forms [required for projects in an amount equal to the Federal capitalization grant]:				
	a. Disadvantaged Business Enterprise (DBE) good faith efforts	X			Specification Insert - Form 6-F (Requirements for DBE and EEO), Form 6-H (Statement of Compliance with DBE); both forms include DBE good faith efforts and included in both bid packages
	b. DBE forms 6100-2, 6100-3 and 6100-4	X			Specification Insert - Form 6-G (DBE to be Utilized), Form 6-U (DBE Subcontractor Performance Report - 6100-3 equivalent), Form 6-V (DBE Subcontractor Utilization Report - 6100-4 equivalent) - included in both bid packages
	c. Equal Employment Opportunity requirements (Executive Order 11246)	X			Specification Insert - Form 6-F (Requirements for DBE and EEO), Form 6-M (EEO Standard Form) included in both bid packages
	d. Suspension and Debarment prohibitions (Executive Order 12549)	X			BNR: SAM searches for contractor and subs; Lift Station: SAM search for contractor
5	File includes documentation that specifications or construction contracts contain the applicable EPA Davis-Bacon grant term and condition [For CWSRF projects, Davis-Bacon requirements only apply to treatment works projects and publicly-owned decentralized treatment projects regulated by a NPDES permit.]	X			Specification Insert - Form 6-C (#12 - Davis Bacon) included in both bid packages
	a. File includes documentation that specifications or construction contracts contain the applicable Davis-Bacon wage determination(s)	X			Included with bid packages BNR: General Decision Number: ID140069, Modification #1 dated 02/21/2014 Lift Station: General Decision Number: ID140069, Modification #2 dated 06/20/2014
	b. For assistance recipients that are non-governmental entities: File includes documentation that			X	
2.2 Reporting and Ongoing Compliance					
1	File includes information to support project data entered into the CWSRF Benefits Reporting (CBR)	X			B. Fiedorczyk checked 12/15/14 - entries appeared accurate
2	Project file includes semi-annual DBE reports on subcontracting procurement (DBE form 5700-52A or equivalent) [required for projects in an amount equal to the Federal capitalization grant]	X			DBE reports (Form 6-O) from recipient, second half biannual report for FFY 2013 and annual report for FFY 2014
3	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll	X			Certification from recipient on compliance with D-B on numerous reimbursement request forms (#1 - #14) submitted between 8/23/13 and 10/24/14

Required Technical Elements				
Review Item and Question to Answer	Yes	No	N/A	Comments
2.3 State Inspections				
1 Project file includes copies of inspection reports prepared by the state or its representative	X			Engineer reports dated 7/10/14 and 10/23/14 with DEQ engineer's notes; Form 11-A inspection report completed 1/8/15 by DEQ regional engineer
2 Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)	X			Project just started (NTP on 5/17/14) and DEQ has participated in regular project meetings/inspections
3 Inspection reports indicate project is in compliance with:				
a. Davis-Bacon requirements	X			Detailed in Section 5 of 11-A (used for 1/8/15 inspection)
e. Green Project reserve eligibility (when applicable)		X		Not included in 1/8/15 inspection report
4 All issues and concerns identified in inspection reports were adequately resolved	X			Observation from 7/10/14 meeting was that the D-B poster was not observed, but the poster has been posted and was observed in the 1/8/15 inspection

Required Financial Elements				
Review Item and Question to Answer	Yes	No	N/A	Comments
3.1 Financial Review				
1 File includes documentation that the applicant underwent a financial capability review [may be N/A for projects receiving 100% principal forgiveness or grant]	X			Financial capability review checklist completed by DEQ (Jan 2013)
3.2 Loan or Bond Purchase Agreement				
1 The loan agreement or bond purchase document:				
a. Is signed by the state and assistance recipient (record date in comments)	X			Assistance Agreement signed by DEQ on 6/12/13 and Hayden Lake Chairman on 6/26/13
b. Includes a budget and/or description of eligible costs	X			Assistance Agreement Section II.E; \$10,400,000 for construction, admin and engineering services
c. Includes the interest rate	X			Assistance Agreement Section II.D - 2.0% effective interest (1% interest + 1% fee)
d. Includes the fee rate (if applicable)	X			Assistance Agreement Section II.D/VIII.C - at assistance closing, DEQ may impose up to a 1% fee, but the interest rate would be reduced by an equal amount (so that the total finance charge would still be 2.0%)
e. Includes an amortization schedule or includes the repayment period and the date when repayments must begin [N/A for projects receiving 100% grant or principal forgiveness]	X			Assistance Agreement Section VIII.B
f. Includes requirement for the assistance recipient to submit Single Audit Reports [N/A for non-governmental assistance recipients][only required for projects in an amount equal to the grant]	X			Assistance Agreement Section III.N
g. Requires the assistance recipient to maintain accounting practices in accordance with Generally Accepted Accounting Principals	X			Assistance Agreement Section IV.O
2 The interest rate is in accordance with the state's policies and procedures	X			SFY 14 IUP - effective interest range between 1.0% and 2.25%
3 The repayment period is in accordance with the state's policies and procedures:				
a. For loan agreements, repayment period does not exceed 20 years	X			20-year term
b. For bond purchase documents, repayment periods exceeding 20 years are in accordance with a state extended term financing program approved by EPA			X	20-year term
4 The loan or bond purchase document makes reference to Davis-Bacon requirements	X			Assistance Agreement Section IV.Q
3.3 Single Audit Act compliance				
1 The assistance recipient is submitting Single Audit Reports [N/A for a fiscal year if assistance recipient has not expended more than \$500,000 in Federal funds from all sources in the fiscal year, or is a non-equivalency project]			X	Not listed as a FFATA/equivalency project; DEQ letter sent to Hayden Lake for FY ending 11/30/14 for fed funds disbursed (\$505,743). DEQ letter sent to Hayden Lake for FY ending 11/30/13 for fed funds disbursed (\$508,273). Single audit due to DEQ Aug 2014. DEQ has still not received the single audit and has contacted Hayden Lake to follow up. Hayden Lake contracted for single audit but has not yet received final product. DEQ is monitoring situation.
a. The state ensured that the assistance recipient addressed findings and resolved any issues identified in			X	No audit yet received.