

STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

**DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL
CLEAN WATER STATE REVOLVING FUND
AMERICAN RECOVERY AND
REINVESTMENT ACT §1512 REPORTING
AGREED-UPON PROCEDURES ENGAGEMENT
AS OF MARCH 31, 2010**

**FIELDWORK END DATE: MAY 27, 2010
REPORT ISSUANCE DATE: AUGUST 2, 2010**

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

The Governor's Stimulus Solutions Group
Attn: The Honorable Matthew Denn
Lieutenant Governor
820 N. French Street, 10th Floor
Wilmington, DE 19801

The Honorable Collin O'Mara
Secretary
Department of Natural Resources and
Environmental Control
Office of the Secretary
89 Kings Highway
Dover, DE 19901

We have performed the procedures enumerated below, which were agreed to by the Governor's Stimulus Solutions Group (Stimulus Group) and the Department of Natural Resources and Environmental Control (DNREC), Division of Water Resources (DWR). The procedures were performed solely to assist the specified parties in evaluating the *American Recovery and Reinvestment Act of 2009* (ARRA) §1512 Report (§1512 Report) for the Clean Water State Revolving Fund, CFDA¹ 66.458² as of March 31, 2010. The award for the Clean Water State Revolving Fund totaled \$19,239,100 with reported federal expenditures at March 31, 2010 of \$1,652,695. Management is responsible for DWR's compliance with applicable Federal and State requirements.

The Clean Water State Revolving Fund program's purpose is to create State Revolving Funds (SRFs) through a program of capitalization grants to States which will provide a long term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Capitalization grants are available to each State for the purpose of establishing a Clean Water SRF for providing assistance for: (1) construction of publicly owned wastewater treatment works; (2) implementing nonpoint source management activities included in State Plans developed pursuant to Section 319; and (3) developing and implementing an estuary comprehensive conservation and management plan under Section 320. A portion of the Recovery Act funding will be targeted toward green infrastructure, water and energy efficiency, and environmentally innovative projects. The program supports the Environmental Protection Agency's strategic goal of ensuring Clean and Safe Water.

This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

¹ Code of Federal Domestic Assistance

² SAI S9031604 (State Application Identifier)

Our procedures were as follows:

1. Examine the §1512 Report and supporting documents to ensure the data was properly and adequately reviewed by management prior to submitting it to the federal agency, the information reported was accurate, and the report was submitted timely.

We traced the amounts reported to appropriate supporting documentation and verified the amounts were accurate. The March 31, 2010, §1512 Report was due by April 16, 2010. The DWR submitted the report timely on April 9, 2010.

2. Ensure the calculation of the estimate of the number of jobs created and retained by the project is in compliance with the Council of Economic Advisers Memorandum dated May 2009.

According to the Federal OMB Memorandum M-10-08 issued on December 18, 2009, the jobs estimate is calculated by dividing the number of hours worked by the number of full-time hours in the quarter. Only jobs funded by the ARRA program are to be counted. We examined the calculation of the estimate of the number of jobs created and retained and determined it to be in compliance with Federal OMB Memorandum M-10-08. The DWR properly calculated and reported 27.60 jobs created and retained.

3. Ensure the information provided for subcontracts or subgrants include the data elements required to comply with the *Federal Funding Accountability and Transparency Act of 2006*.

We verified the information reported for subrecipients to supporting documentation. The DWR properly reported the data elements for the subrecipients as required to comply with the *Federal Funding Accountability and Transparency Act of 2006*. The DWR has awarded 10 loans totaling \$18,469,536 under this program for the construction of wastewater treatment facilities and water quality management projects throughout the State. These loans include various amounts of principal forgiveness totaling \$9,619,550.

4. Select and test a sample of ARRA expenditures to ensure the funds were spent for the reported purpose, in accordance with State and Federal procurement laws, and were a reasonable and appropriate use of taxpayer money.

We tested and were able to determine eligibility of program expenditures totaling \$1,402,137 by examining supporting documentation. These expenditures consisted of \$1,291,741 in loan disbursements and \$110,396 in administrative costs. We also determined eligibility for September and November 2009 payroll charges in the amount of \$35,121.

We were not engaged to and did not conduct an examination with the objective of expressing an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

May 27, 2010

DISTRIBUTION OF REPORT

This report is intended solely for the information and use of the Stimulus Group and the DWR and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, and the Office of the State Treasurer.

Copies of this report have been distributed to the following public officials:

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Matthew Denn, Lieutenant Governor, State of Delaware
The Honorable Russell T. Larson, Controller General, Office of the Controller General
The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General
The Honorable Ann S. Visalli, Director, Office of Management and Budget
The Honorable Thomas J. Cook, Secretary, Department of Finance
Ms. Valerie Watson, Acting Director, Division of Accounting, Department of Finance
Ms. Dawn Haw-Young, Manager of Financial Reporting and Internal Control, Division of Accounting,
Department of Finance
The Honorable Velda Jones-Potter, Treasurer, Office of the State Treasurer
Mr. Robert Scoglietti, Director of Policy and External Affairs, Office of Management and Budget

Officials of Audited Entity

The Honorable Collin O'Mara, Secretary, Department of Natural Resources and Environmental Control