

**State of Georgia  
Drinking Water State Revolving Fund  
Emerging Contaminants Program  
State Fiscal Year 2024 Annual Report**



**Prepared by the  
Georgia Environmental Finance Authority  
for the  
U.S. Environmental Protection Agency, Region IV  
September 30, 2024**

**PLEASE NOTE** that this report does not constitute nor is it suitable for use as an official financial statement. This report is not prepared by an independent auditor or accountant and is provided for informational purposes only.

**Drinking Water State Revolving Fund Annual Report,  
Emerging Contaminants  
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**State of Georgia**  
**Drinking Water State Revolving Fund**  
**Emerging Contaminants Program**  
**State Fiscal Year 2024 Annual Report**

## **Introduction**

The Drinking Water State Revolving Fund (DWSRF) program provides assistance to public water systems for capital improvement projects in Georgia to protect public health through regulatory compliance, ensure adequate water supply, and promote the goals of the federal Safe Drinking Water Act of 1974 (SDWA), as amended. The 1996 amendments to the SDWA (Pub. L. 104-182) authorized the administrator of the U.S. Environmental Protection Agency (EPA) to establish a DWSRF loan program to assist states in financing local public water system infrastructure needed to achieve or maintain compliance with SDWA requirements in order to protect public health. In accordance with the DWSRF Program Guidelines published by the EPA Office of Water (816-R-97-005) in February 1997, each capitalization grant recipient must submit a biennial report on the activities of the DWSRF.

On November 15, 2021, by President Joe Biden, Jr., signed the Bipartisan Infrastructure Law (BIL) allocating 100% of emerging contaminants funding as grants to reduce exposure to perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants through drinking water priorities. This annual report outlines Georgia's uses of the DWSRF Emerging Contaminants (EC) allotment of \$20,716,000. The sole purpose of this funding is for addressing PFAS, and in general, may not be used for any other traditional DWSRF projects. Additionally, GEFA intends to allocate at least twenty-five percent of the funds to disadvantaged communities or public water systems serving fewer than 25,000 persons. This DWSRF Emerging Contaminants program annual report covers both the program and set-aside activities for the state fiscal year ending June 30, 2024 (FY2024), and comparisons between current activities and those outlined in the FY2023 DWSRF Emerging Contaminants Intended Use Plan (IUP).

The Georgia Environmental Finance Authority (GEFA) was created by the Georgia General Assembly in 1986 as the successor agency to the Georgia Development Authority Environmental Facilities Program. GEFA serves as the central state agency for assisting local governments in financing the construction, extension, rehabilitation, replacement, and securitization of public works facilities. The GEFA board of directors consists of three ex-officio members and eight members appointed by the governor of Georgia. Under an interagency agreement, the Georgia Environmental Protection Division (EPD) provides professional services for the DWSRF.

The services include, but are not limited to:

- Project reviews and approvals;
- Planning and project development;
- Information tracking;
- Information gathering and assistance with the National Needs Survey;
- Issuing and approving Notices of No Significant Impacts (NONSIs) and Categorical Exclusions (CE);
- Assistance with the National Information Management System (NIMS);
- Administration of EPD's set-aside activities; and
- The management of the Drinking Water Public Benefit Reporting (PBR) database.

## Executive Summary

In December 2022, EPD began Phase II sampling for PFOS/PFOA within the northwestern region of the state. EPD identified Chatsworth Water Works Commission and Clayton County Water Authority as high priority areas with limits above the previous EPA Health Advisory.

In June 2023, GEFA submitted an Intended Use Plan (IUP) and application for the FY2023 DWSRF EC grant. In March 2024, GEFA held a public meeting to present and receive comments on the IUP. The FY2023 DWSRF EC grant was awarded on December 6, 2023, for a total of \$20,716,000.

Attachment 1 has been reserved to show the total sources of funds by quarter during state FY2024. However, there were no quarterly funds allotted in state FY2024. Grants agreements for Chatsworth Water Works Commission and Clayton County Water Authority were drafted and sent to the communities. However, only Clayton County Water Authority has executed their agreement at this time. Attachment 2 reflects communities that were awarded DWSRF EC funding.

## DWSRF Emerging Contaminants Program Highlights

EPD has initiated its Phase II PFAS sampling program and has begun prioritizing all large public water systems serving a population of greater than 100,000, as well as those public water systems that are near significant Department of Defense installations. As a result, seven water treatment plants from three public water systems had confirmed detectable levels of PFAS within the finished drinking water. Those communities included Clayton County Water Authority, the City of Augusta, and Columbus Water Works.

All new grant agreements were made to qualified local governments or water and sewer authorities according to the requirements of the Georgia Department of Community Affairs (DCA), which includes a verified Service Delivery Strategy. Additionally, all grant recipients have the technical, managerial, and financial capability to operate a sewer system. Each project will be reviewed in accordance with the EPA approved State Environmental Review Process (SERP) and will be issued a Notice of No Significant Impact (Nonsi) or a Categorical Exclusion (CE). Below is a short description for each of the projects funded in state FY2024.

## Emerging Contaminants Projects

The FY2023 DWSRF Emerging Contaminants (EC) IUP awarded grants to the following communities:

- Clayton County Water Authority - \$14,000,000 - Clayton County Water Authority (CCWA) operates three water production facilities (WPF), with a total capacity of 70 MGD. PFAS has been detected in all three plants at levels above EPA's new Maximum Contamination Level (MCL/ 4ppt). In order to meet the new PFAS limits, CCWA will need to upgrade two of the existing plants and rebuild the other plant. The planning-level cost estimate for the project is provided as a range and will depend on the technology selected.

Presently, CCWA plans to issue an RFP for a Progressive Design Build project that would include the following components:

- PFAS Treatment at Hooper WPF (20 MGD) and PFAS Treatment at Hicks WPF (30 MGD) is estimated between \$133,000,000 to \$293,000,000;
- New plant at Hicks WPP site (30 MGD) is estimated to be between \$145,000,000 to \$160,000,000;
- The total project cost is estimated to be between \$278,000,000 to \$453,000,000. However, no funds were disbursed within State FY2024.

- Chatsworth Water Works Commission - \$6,837,000 - Chatsworth Water Works Commission currently supplies water to its community from the Eton Spring, Oneal Spring, Carters Lake, and Nix Spring. However, in order to meet water distribution demands, the City of Chatsworth plans to construct a Reverse-Osmosis Treatment Plant at either the Eton Spring, Carters Lake, or Lake Conasaga. The final cost of the project will depend on the engineering study for which the site provides the optimal solution, and additionally if any easements will need to be acquired.

The previous GEFA grant award included engineering studies to determine the best location for a new water treatment plant based on, PFAS concentration at new sources, feasibility of new technology, and required infrastructure upgrades. This funding award will allow the acquisition of new property along with any required easements and the installation or upgrade of infrastructure to serve the new location for transportation and storage. As a result, the engineering design and permitting process for the new facility will occur in tandem with infrastructure upgrades and additions to ensure all improvements are fully operational at the same time. However, no funds were disbursed within State FY2024.

## Meeting Intended Use Plan (IUP) Goals and Objectives

The FY2023 DWSRF Emerging Contaminants IUP listed 4 goals for the program.

1. **Long-Term Program Goal:** Ensure PFOS/PFOA impacted communities have the funding needed to implement remediation strategies.

**Status:** GEFA continues to work with communities with emerging contaminate eligible projects to ensure that those communities with the greatest need will have funding available. GEFA will work with these communities to ensure projects get underway and the funds are spent in a fiscally responsible manner to further the program goal of helping communities impacted by PFAS and emerging contaminant.

2. **Short-Term Program Goal:** Collaborate with the Georgia Department of Natural Resources (EPD) to determine PFOS/PFOA impacted communities.

**Status:** GEFA works closely with the EPD to identify communities with elevated levels of PFAS or other emerging contaminants. Three communities have been identified for future funding based on PFAS data: August, Harris County, city of Gray.

3. **Short-Term Program Goal:** Collaborate with other agencies to determine funding options for impacted communities.

**Status:** The water resources division works in partnership with the Georgia Rural Water Association and the Georgia Association of Water Professionals to help inform impacted communities of grant and other funding opportunities available through GEFA.

4. **Short-Term Program Goal:** Expand the outreach activities to ensure that systems are aware of and understand DWSRF assistance options and the application process by presenting at statewide workshops and conferences to publicize the DWSRF program.

**Status:** GEFA partners with IB Environmental, DBE Certified, to provide communities with current funding opportunities through webinars and training events. These can be found on GEFA's website and YouTube channel.

## Program Administration (4 Percent)

GEFA does not intend to utilize the four percent set-aside for administrative purposes. Based on the FY2024 allotment of \$20,837,000, GEFA has a sufficient amount of funds in its non-program fee account to cover the administrative costs. Therefore, \$0 was allocated for administrative support to manage and operate the DWSRF EC program.

Georgia funded FY2023 DWSRF emerging contaminants projects using the EPA Bipartisan Infrastructure Law (BIL) Emerging Contaminants Capitalization Grant. Per the BIL, a state match is not required for the DWSRF Emerging Contaminants Grant. On November 28, 2023, Georgia received a FY2022 funding reallocation, totaling \$121,000. The estimated sources and uses and reallocation of funds in the FY2023 DWSRF EC and the FY2022 DWSRF EC program are as follows:

### Sources:

2023 EPA DWSRF BIL Emerging Contaminants Cap Grant:	\$20,716,000
2022 EPA DWSRF BIL Emerging Contaminants Cap Grant Reallocation:	\$ 121,000
State Match:	\$ 0
<b>Total:</b>	<b>\$20,837,000</b>

### Uses:

Project Assistance:	\$20,837,000
Administrative Costs:	\$ 0
<b>Total:</b>	<b>\$20,837,000</b>

## DWSRF EC Non-Program Income

In state FY2024, no non-program fees were allocated.

## Disadvantaged Business Enterprise (DBE) Participation

Within GEFA's agreement, recipients are required to encourage participation of small, minority and women owned businesses in all project subcontracts. The state's DWSRF percentage for the reporting period of October 1, 2022, through September 30, 2023, is four percent for Minority Business Enterprises (MBE) and four percent for Women Business Enterprises (WBE).

GEFA regularly evaluates the Georgia SRF program compliance with the Six Good Faith Efforts set forth in 40 CFR 33, Subpart C. GEFA requires all Environmental Protection Agency (EPA) financial assistance recipients to ensure that all Disadvantaged Business Enterprises (DBEs) have the opportunity to compete for procurements funded by EPA financial assistance dollars. There has been a thorough and continuous effort to ensure compliance with the Six Good Faith Efforts. GEFA verifies and review call logs and emails regularly made to DBE subcontractors to encourage their participation in both the Clean Water and Drinking Water SRF programs. DBE's are further alerted to GEFA's approved projects as soon as they appear in the transmittal log. This allows subcontractors to inquire about and prepare for these projects prior to the bid date. Subcontractors are urged to pursue EPA, Department of Transportation (DOT) and Small Business Administration (SBA) certification. GEFA has made themselves available to answer questions and assist subcontractors in the application process.

In considering whether firms could subcontract with DBEs, GEFA encourages prime contractors to follow the Six Good Faith Efforts to solicit the services of minority and women-owned businesses. Approval for a project will be withheld if there is insufficient documentation submitted showing that the efforts were met. Prime contractors are supplied with a link for the available DBEs on the Georgia DOT website, names/addresses/numbers of contacts in the SBA, the Minority Business Development Agency, Department of Commerce and other related agencies/associations throughout the State. Guidance is provided in all related construction contracts to encourage prime contractors to divide work when feasible.

## **DWSRF EC Grant Disbursements**

The DWSRF EC did not disburse any funds during state FY2024. Attachment 3 has been reserved to show funds that will be disbursed in FY2025.

## **DWSRF EC State Match**

The DWSRF EC Grant does not require a State Match.

## **Assurances and Specific Proposals**

The DWSRF adheres to the certifications covered in the SDWA and those within Georgia's Operating Agreement with the regional EPA office.

The specific certifications are:

1. Capitalization Grant Agreement
2. Payment Schedule
3. State Matching Funds
4. Commitment of 120 Percent in One Year
5. All Funds - Timely Expenditures
6. Enforceable Requirements of the Safe Drinking Water Act
7. Cross Cutting Issues
8. State Law and Procedures
9. State Accounting and Auditing Procedures
10. Recipient Accounting and Auditing Procedures
11. Annual Report
12. Limitations on Eligibility
13. Environmental Review Process
14. Maintain the Fund
15. Perpetuity
16. Types of Assistance
17. Priority List
18. Limitation of Double Benefits
19. Consistency with Planning Requirements
20. Annual Audit
21. Intended Use Plan
22. Annual Federal Oversight Review and Technical Assistance
23. Dispute Resolution
24. Reserve the Right to Transfer up to 30 Percent of Grant Amount Between Programs
25. NIMS
26. Public Benefits Reporting (PBR) System

A copy of the state FY2024 unaudited financial data is provided under separate cover.

## **EPA Program Evaluation Report – State FY2023**

In accordance with the State FY2023 EPA Program Evaluation Report (PER), the following observation was made for the DWSRF Emerging Contaminants program.

The terms and conditions of the grant award require 100 percent additional subsidy provided to borrowers of the DWSRF EC program. States must direct at least 25 percent of these funds to disadvantaged communities or to public water systems serving fewer than 25,000 persons. Georgia's FY22 and FY23 Capitalization Grants are open and making additional subsidy disbursements. Region 4 will confirm that the program's additional subsidy requirements were met before closing its grant. There are no findings for the DWSRF EC program.

**Attachment 1**  
**Sources of Funds by Quarter**  
**Drinking Water Emerging Contaminant State Revolving Fund**  
**State FY2024**  
**July 1, 2023 – June 30, 2024**

Sources	Quarter 1 07/2023-09/2023	Quarter 2 10/2023-12/2023	Quarter 3 01/2024-03/2024	Quarter 4 04/2024-06/2024	Total
Capitalization Grants for Drinking Water State Revolving Funds	--	--	--	\$20,837,000.00	\$20,837,000.00
<b>Total: 0</b>					<b>\$20,837,000.00</b>



**Attachment 2**  
**Communities Receiving Funds**  
**Drinking Water Emerging Contaminant State Revolving Fund**  
**State FY2024**  
**July 1, 2023 – June 30,2024**

Sources	Project Number	Population Served	Affordability Score	Project Type	Grant Amount
Clayton County Water Authority	ECDW2023001	297,100	22	Preliminary Engineering Report (PER) for Design Build of 2 plant upgrades and 1 new treatment plant	\$14,000,000.00
Chatsworth Water Works Commission	ECDW2023002	4,247	27	Reverse Osmosis Water Plant	\$6,837,000.00
<b>Total: 2</b>					<b>\$20,837,000.00</b>

**Attachment 3**  
**Disbursements of Funds by Quarter**  
**Drinking Water Emerging Contaminant State Revolving Fund**  
**State FY2024**  
**July 1, 2023 – June 30,2024**

Sources	Quarter 1 07/2023-09/2023	Quarter 2 10/2023-12/2023	Quarter 3 01/2024-03/2024	Quarter 4 04/2024-06/2024	Total
N/A	--	--	--	--	--
<b>Total: 0</b>					<b>\$0</b>

**Attachment 11**  
**EPA Program Evaluation Report - State FY2023**



**U. S. ENVIRONMENTAL PROTECTION AGENCY**  
**REGION 4**  
**PROGRAM EVALUATION REPORT**  
**SEPTEMBER 12, 2024**

Georgia Drinking Water State Revolving Fund  
State Fiscal Year 2023  
July 1, 2022 – June 30, 2023

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## EXECUTIVE SUMMARY

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This Program Evaluation Report (PER) reviews the performance of the Georgia Environmental Finance Authority's (GEFA's) Drinking Water State Revolving Fund program (DWSRF) for GEFA's fiscal year (FY) 2023, which runs from July 1, 2022, to June 30, 2023. The U.S. Environmental Protection Agency (EPA) is required by 40 CFR § 35.3570 to annually assess the success of GEFA's performance of activities to determine compliance with the terms of the capitalization grant agreement. In part, the EPA utilized GEFA's FY22 DWSRF Intended Use Plans (IUPs) and FY23 annual reports in its review.

On November 15, 2021, the President signed P.L. 117-58, the "Bipartisan Infrastructure Law (BIL), also known as the "Infrastructure Investment and Jobs Act of 2021" (IIJA) into law. EPA awarded BIL supplemental capitalization grants through the state DWSRF programs for water infrastructure projects.

The EPA Federal FY22 Base capitalization grant provided Georgia with \$16,513,000 in drinking water assistance. This required a 20 percent state match, \$3,302,600. When added to the DWSRF capitalization grant the total available for assistance is \$19,815,000.

The EPA Federal FY22 BIL General Supplemental (GS) capitalization grant provided Georgia with \$42,400,000 in drinking water assistance. This required a 10 percent state match, \$4,240,000. When added to the DWSRF capitalization grant the total available for assistance is \$46,640,000.

The EPA Federal FY22 BIL Lead Service Line Replacement (LSLR) capitalization grant provided Georgia with \$66,808,000 in drinking water assistance. There was no required state match, this amount is the total available for assistance. No LSLR assistance agreements were executed during GEFA's FY23.

The EPA Federal FY22 BIL Emerging Contaminants (EC) capitalization grant provided Georgia with \$17,804,000 in drinking water assistance. There was no required state match, this amount is the total available for assistance. No EC assistance agreements were established during GEFA's FY23.

During state FY23, GEFA made 18 new loans to local governments totaling \$91,191,763. One of the metrics the EPA utilizes in evaluating state programs is "pace", which is defined as cumulative amount of loans issued as a percentage of all funds available. As of June 30, 2023, the reported pace of GEFA's program was 100 percent, a decrease from GEFA's FY22 program pace of 109 percent. The national average for DWSRF in FY23 is 95 percent.

The Georgia DWSRF has been administered in accordance with Section 1452 of the Safe Drinking Water Act (SDWA) as amended. The program is following all terms, schedules, provisions/assurances of the IUP, the operating agreement between GEFA and the EPA, and the conditions of the capitalization grant agreements.

## SECTION I: PURPOSE AND SCOPE

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The EPA Region 4 began the FY23 annual review of the Georgia DWSRF with an opening meeting on December 12, 2023. The review concluded with a closing conference on July 17, 2024. This review process was conducted as prescribed in Section 1452 of the SDWA, 40 CFR § 35.3575 and in the Annual Review Guidance issued October 2023. The review was conducted in a hybrid approach, both virtually and in person.

The purposes of the annual review are to:

1. Evaluate the success of the state's performance in achieving goals and objectives identified in the IUP, and the state's annual report;
2. Evaluate the state's compliance with regulations, operating agreement, and capitalization grant agreement;
3. Assess the financial status and performance of the fund;
4. Review the program in accordance with EPA's SRF Annual Review Guidance;
5. Review the status of resolution of prior year PER findings; and
6. Examine and follow up on any open audit findings and recommendations.

In attendance at the on-site opening conference for GEFA were Jenerrah Byron, Amanda Carroll, Kelvin Castro, Benoit Causse, Jill Causse, Jamelle Cherry, James Fletcher, David Gipson, Lisa Golphin, Jammie Harden, Vince Harvey, Hunter Hill, Susan Lucki, Peter Nwogu, Manny Patel, Virginia Thom, and Brian Woodham. Attending from the EPA Region 4 were Chris Bruegge, Rose Degner, Amy Kuhs, Matthew Lagod, Mara Lindsley, Tracy Williams, and Monique Wyatt.

During the review period, EPA Region 4 examined project files, loan agreements, any additional supporting documents, EPA Headquarters Contractor-tested financial transactions, and met with GEFA staff to better understand issues and exchange information.

At the completion of the review, a virtual exit briefing was held to review the observations made by the EPA and to clarify any outstanding issues. Attending the exit conference for GEFA were Hunter Hill, Judy Adler, Amanda Carroll, Jammie Harden, Lisa Golphin and Susan Lucki. Attending from the EPA Region 4 were Katie Butler, Johnnie Purify, Mara Lindsley, Chris Holliday, Chris Bruegge, Amy Kuhs, Matthew Lagod, Tracy Williams, Jill Causse, and Ronekisha Oliver.

## SECTION II: COMPLIANCE REQUIREMENTS

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GEFA provided the EPA with the most recent financial audit for the year ending June 30, 2023. This audit, dated October 5, 2023, contained no findings.

GEFA is in compliance with the Disadvantaged Business Enterprise (DBE) requirement detailed in their capitalization grant award. GEFA's DBE goal for FY23 was eight percent. GEFA's DBE participation in the DWSRF for the most recent reporting year (FFY 2022) was 6.24 percent. GEFA provides assurances that borrowers follow the six affirmative steps for DBE participation.

GEFA is in compliance with the 13 assurances stated in the grant agreement, including capacity development and operator certification requirements. These assurances have their basis in 40 CFR § 35.3550.

Based on the review, the following items describe the activities and observations of interest:

1. Assurance that the state has the authority to establish a fund and to operate the DWSRF program in accordance with the SDWA.

*Status: GEFA provided the required Attorney General certification with the grant application.*

2. Assurance that the state will comply with state statutes and regulations and abide by state law.

*Status: GEFA certified this in the FY22 IUP.*

3. Assurance that the state has the technical capability to operate the program.

*Status: GEFA has provided an assurance to this effect in its Operating Agreement, which recalls that Georgia has authorized GEFA to administer a state revolving fund in compliance with Title XIV of the Safe Drinking Water Act, and that GEFA has established an agreement with the Environmental Protection Division for technical and environmental management services. GEFA is in compliance with this assurance.*

4. Assurance that the state will accept capitalization grant funds in accordance with a payment schedule.

*Status: GEFA certified this in the FY22 IUP.*

5. Assurance that the state will deposit all capitalization grant funds in the fund or set-aside account.

*Status: GEFA has deposited the capitalization grant appropriately.*

6. Assurance that the state will provide an amount equal to 20 percent of base capitalization grant and 10 percent of BIL General Supplemental capitalization grant (state match) in the fund.

*Status: The FY22 base capitalization grant was \$16,513,000. The 20 percent state match amount of \$3,302,600 was provided through state appropriation funds. The FY22 BIL General Supplemental capitalization grant was \$42,400,000. The 10 percent state match amount of \$4,240,000 was provided through state appropriation funds.*

7. Assurance that the state will deposit net bond proceeds, interest earnings and repayments into the fund.

*Status: GEFA did not leverage. All repayments and interest earnings are credited to the fund.*

8. Assurance that the state will utilize Generally Accepted Accounting Principles.

*Status: As noted in the FY23 state audit, GEFA has complied with this assurance.*

9. Assurance that the state will have the fund and set-aside account audited annually in accordance with Generally Accepted Government Auditing Standards.

*Status: The DWSRF is audited annually. 40 CFR § 35.3570(b) states that audits are due within one year after the end of the FY.*

10. Assurance that the state will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments (or in the case of a privately-owned system, demonstrate that there is adequate security).

*Status: GEFA has complied with this assurance in loan agreements to borrowers.*

11. Assurance that the state will commit and expend funds as efficiently as possible and in an expeditious and timely manner.

*Status: The overall pace percentage for GEFA for FY23 is 100 percent, a decrease from GEFA's FY22 program pace of 109 percent. GEFA disbursed a total of \$73,245,773 from the DWSRF in FY23.*

12. Assurance that funds will be utilized in accordance with the IUP.

*Status: The annual report documents that GEFA is in compliance with this assurance.*

13. Assurance that the state will provide the EPA with a Biennial Report.

*Status: GEFA has elected to provide an annual report to the EPA for the GEFA's DWSRF program. The annual report was received by September 30, 2023, for the state FY ending June30, 2023. The report contained adequate and accurate information.*



## SECTION III: PROGRAM GOALS

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GEFA has a number of long-term and short-term goals in their IUPs. The EPA evaluated one long-term and one short-term goal. GEFA is working toward meeting each of the goals evaluated. GEFA's status in meeting these goals is discussed in the DWSRF annual report. The goals and accomplishments reviewed for the FY23 PER include:

Long term goal and status:

*Goal:* Consolidate multiple database management systems that integrate drinking water project data with program management data.

*Status:* GEFA implemented a comprehensive database management system that will allow borrowers to manage and track loan funds, repayments, set-aside spending, capital, and financial contributions. The goal is to automate tasks and allow the borrowers to enter and view their current information. This comprehensive database will reduce errors and increase efficiency in program management. The system went live internally on April 1, 2023.

Short term goal and status:

*Goal:* Increase the scope of onsite technical assistance provided to small water systems to include the management of assets, and the identification and remediation of failing system components.

*Status:* GEFA contracted with the Georgia Rural Water Association (GRWA) to provide onsite small system water technical assistance by performing 500 field visits. The objective of each field visit is to ensure that the water system is in compliance with state and federal regulations. GRWA performed a minimum of 240 visits during the contract period to perform Synthetic Organic Compound (SOC) sample collection. The Georgia Environmental Protection Division provided the list of systems and sources that need SOC monitoring performed. Lastly, GRWA performed 25 emergency preparedness technical assistance visits for water systems. Twenty-two visits were provided to systems serving a population of 10,000 or less and three visits will be provided to systems serving a population greater than 10,000 but less than 25,000. These emergency field visits assist the owners and/or operators of the system with disaster mitigation, emergency preparedness, and emergency response and recovery.

## SECTION IV: PROJECT FILES REVIEWED

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1. *One Drinking Water SRF Base program equivalency project and one Drinking Water SRF BIL General Supplemental equivalency project:*

<b>Loan Reviewed</b>	<b>Environmental Review Determination</b>	<b>Loan Amount</b>
Clayton County Water Authority Water Meter Replacement Loan Agreement Signed: 5/15/2023	<u>Categorical Exclusion</u> issued: 11/15/2022	Loan Amount: \$25,000,000 Loan Term: 20-year Loan Interest Rate: 1.92% Principal Forgiveness: \$0

*The project was eligible for DWSRF funding and followed the environmental review, Davis Bacon, American Iron and Steel, Build America-Buy America, and procurement requirements. GEFA initially intended to utilize Clayton County Water Authority, to apply equivalency requirements for both the FY22 DWSRF Base and DWSRF BIL General Supplemental capitalization grants. The state has since made changes and will designate a new equivalency project for the remainder of the BIL cap grant.*

2. *One additional Drinking Water SRF Base program project with a disadvantaged community receiving additional subsidization:*

<b>Loan Reviewed</b>	<b>Environmental Review Determination</b>	<b>Loan Amount</b>
City of Blakely Water Meter Replacement Loan Agreement Signed: 1/19/2023	<u>Categorical Exclusion</u> issued: 10/26/2021	Loan Amount: \$1,680,000 Loan Term: 15-year Loan Interest Rate: 0.73% Principal Forgiveness: \$1,008,000

*The project was eligible for DWSRF funding and followed the environmental review, Davis Bacon, American Iron and Steel, and procurement requirements.*

## SECTION V: ENVIRONMENTAL BENEFITS REPORTING

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<b>FY23 Loans</b>	<b>Public Benefit</b>	<b>Total Investment</b>
18 New Loans	Improvements to public water systems promoting compliance, ensuring water supply, and protecting public health.	\$91,191,763

GEFA updated the Office of Water State Revolving Fund (OWSRF) database in a timely fashion as required by the grant agreement. All necessary information about projects funded in FY23 was entered in the OWSRF system. Some additional subsidy information for the projects was not linked properly to capitalization grants in the database.

## SECTION VI: ADDITIONAL SUBSIDIZATION AND POPULATION SERVED

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	<b>Assistance for Small Systems (&lt;10,000)</b>	<b>Additional Subsidization Disbursed</b>	<b>Number of Projects that received Additional Subsidization</b>
FY22 Disbursement Totals	\$19,468,265	\$7,674,212	11
FY23 Disbursement Totals	\$35,712,663	\$3,937,410	8

<b>Additional Subsidy Assigned from Executed Loan Agreements*</b>				
	<b>Grant Award Amount (\$)</b>	<b>Required Subsidy min (%)</b>	<b>Assigned Subsidy (\$)</b>	<b>Assigned Subsidy (%)</b>
FY22 Base	\$16,513,000	26%	\$3,640,500	22.05%
FY22 General Supplemental	\$42,400,000	49%	\$6,572,410	15.50%

\*Data obtained from OWSRF on 8/12/24. This is an ongoing process; state will assign additional subsidy as loan agreements are executed.

## **Base Additional Subsidy Requirements**

The terms and conditions of the grant award require additional subsidy to borrowers of the DWSRF loan program. In addition to the disadvantaged community additional subsidy assistance that must be provided as described in Section 1452(d) of the SDWA in an amount between 12 percent and 35 percent, an additional 14 percent of the capitalization grant must be provided as additional subsidization under the 2022 Congressional Add-Sub authority to eligible borrowers. Georgia's FY22 and FY23 Capitalization Grants were open and making principal forgiveness disbursements at the time of this review. Region 4 will confirm that the program's additional subsidy requirements were met before closing its grants.

## **Bipartisan Infrastructure Law Additional Subsidy Requirements**

### **General Supplemental**

The terms and conditions of the grant award require additional subsidy to borrowers of the DWSRF loan program that meet state-defined disadvantaged community criteria. As described in the Bipartisan Infrastructure Law, additional subsidy assistance must be provided in an amount of 49 percent. Georgia's FY22 and FY23 Capitalization Grants are open and making additional subsidy disbursements at the time of this review. Region 4 will confirm that the program's additional subsidy requirements were met before closing its grants.

### **Lead Service Line Replacement**

The terms and conditions of the grant award require additional subsidy to borrowers of the DWSRF loan program that meet state-defined disadvantaged community criteria. As described in the Bipartisan Infrastructure Law, additional subsidy assistance must be provided in an amount of 49 percent. Georgia's FY22 LSLR capitalization grant is open and making additional subsidy disbursements at the time of this review. Region 4 will confirm that the program's additional subsidy requirements were met before closing its grant.

### **Emerging Contaminants**

The terms and conditions of the grant award require 100 percent additional subsidy provided to borrowers of the DWSRF EC program. States must direct at least 25 percent of these funds to disadvantaged communities or to public water systems serving fewer than 25,000 persons. Georgia's FY22 and FY23 Capitalization Grants are open and making additional subsidy disbursements. Region 4 will confirm that the program's additional subsidy requirements were met before closing its grant.

## SECTION VII: CASH DRAWS

Draw ID Number	Draw Date	Draw Amount
23AS1454271	06-27-2023	\$2,169,339.38
23AS1421617	11-23-2022	\$872,251.68
23AS1447013	05-23-2023	\$4,323,802.15
23AS1465938	09-12-2023	\$9,149,138.45
23AS1466477	09-14-2023	\$7,758.66

Five cash draws were reviewed by EPA headquarters' contractors. All invoices reviewed in the selection were found to be eligible DWSRF expenditures and were appropriately recorded. Two improper payments were identified by EPA during the annual review. An improper payment is defined under the Improper Payments Elimination and Recovery Act (IMPERA) as any payment "that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible recipient, any payment of an ineligible good or service, or any duplicate payment".

The table below lists the improper payments identified by the EPA during the review:

Draw ID Number	Improper Payment Amount	Reason for Improper Payment
23AS1465938	\$0.05	<ul style="list-style-type: none"> <li>Disbursement is \$0.04 less than total cash draw amount.</li> <li>\$0.01 IP on Coosa disbursement, \$126,726.69 was disbursed. Based on invoiced amount &amp; adjustments, the disbursement should have been \$126,726.68 so \$0.01 overpayment</li> </ul>
N/A	\$222,648.04	Disbursement to ineligible account/recipient due to cyber-attack incident.

EPA R4 identified an improper payment that occurred on March 27, 2023. In this instance, a cyberattack resulted in GEFA disbursing \$222,648.04 to an ineligible account and ineligible third-party recipient rather than the City of Midway, their loan recipient. Payment to an ineligible account and ineligible recipient is an improper payment.

Actions required to correct improper payments are discussed in the Findings section of this report.

## SECTION VIII: PROGRAM HIGHLIGHTS

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### **PROGRAM HIGHLIGHT 1**

GEFA partnered with GRWA to provide Asset Management Plans (AMPs) for small water systems serving populations under 10,000 with a targeted focus on systems serving less than 3,300 people. GRWA provided on-site technical assistance and formal classroom style training events to educate and assist water system personnel with the implementation or enhancement of their AMPs. GRWA used metering equipment and technological monitoring equipment to assist the subject systems with evaluations of certain assets and to help locate and repair water leaks.

### **PROGRAM HIGHLIGHT 2**

GEFA contracted with Wood Environment and Infrastructure Solutions, Inc. to conduct an analysis of water supply sources throughout Georgia. The purpose of the Water Supply Redundancy Study is to increase Georgia's water supply solvency and reliability. This study evaluates drinking water supply, demand, treatment, storage, distribution, and interconnectivity to identify redundant water supply sources capable of providing backup water supply for qualified water systems outside the Metropolitan North Georgia Water Planning District. Wood has completed the initial summaries of data (captured through surveys) for all 10 water planning regions. Additionally, Wood has identified sufficient water supply sources for nine regions and developed a potential project list based on the information they gathered and analyzed for seven regions.

## SECTION IX: FINANCIAL INDICATORS

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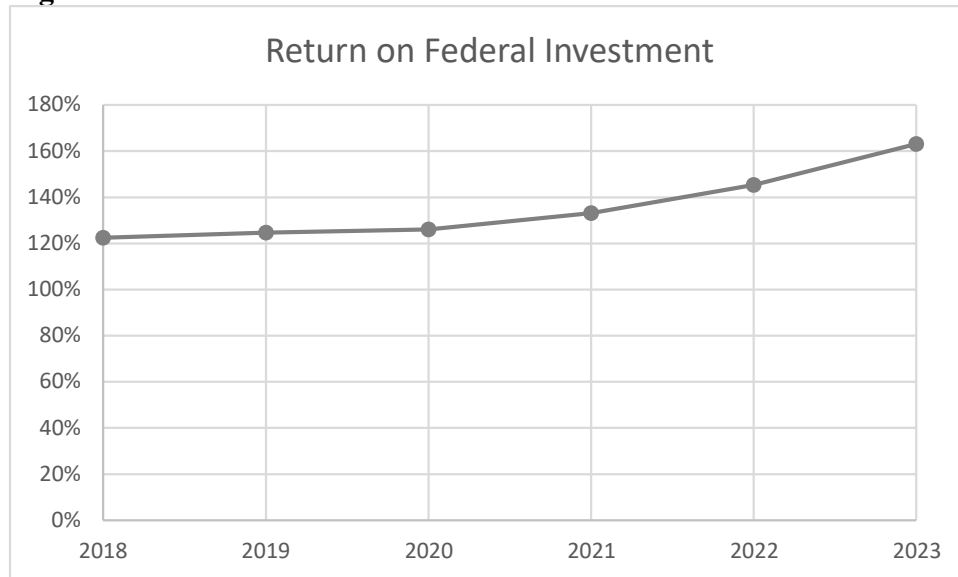
<b>Financial Indicators Activity</b>	<b>2022</b>	<b>2023</b>
Return on Federal Investment	145%	163%
Assistance Provided as a % of Funds Available	109%	100%
Disbursements as a % of Assistance Provided	74%	74%
Set-Aside Spending Rate	91%	83%
Uncommitted Balances	\$0	\$0

Based on EPA's financial review, EPA concludes that the GEFA DWSRF is in sound financial condition. Note: Financial indicators data was provided by the OWSRF report for monitoring period ending on 6/30/2023.

## SECTION X: PROGRAM HEALTH ANALYSIS DISCUSSION

The **Federal Return on Investment** indicator shows how many dollars of assistance were disbursed to eligible borrowers for each federal dollar drawn. The State of Georgia is disbursing funds at a rate of 163 percent. This indicates that for every federal dollar expended, approximately \$1.63 of assistance is disbursed through Georgia's DWSRF program. This indicator has increased for GEFA over the last three years, emphasizing the success of GEFA's DWSRF program to revolve in perpetuity and maximize assistance to borrowers.

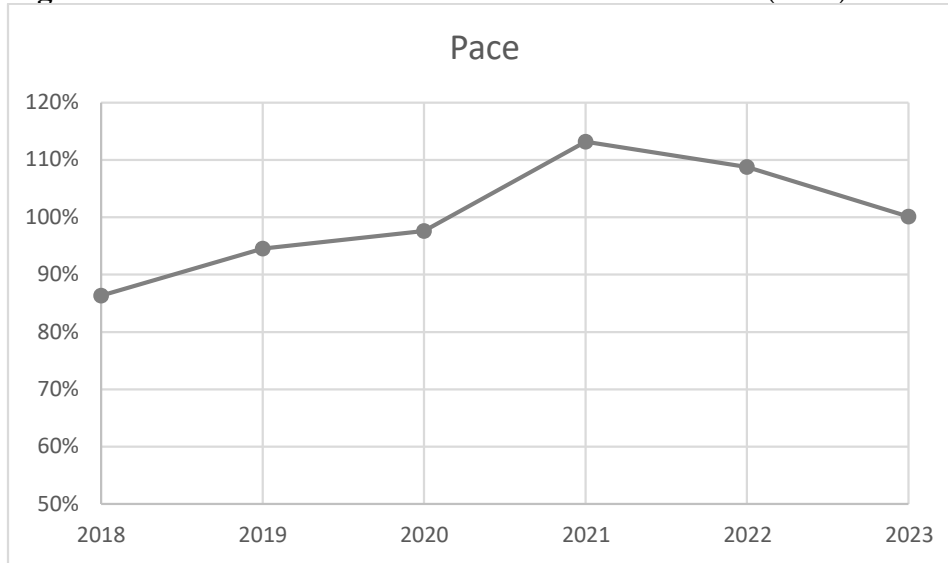
**Figure 1. Federal Return on Investment**



The **Executed Loans as a Percent of Funds Available** indicator measures the dollar amount of executed loan agreements to the cumulative dollar amount of funds available for loans. It is one indicator that measures the *Pace* of the program by gauging how quickly funds are made available to finance DWSRF projects. This indicator has a wide range of values and can exceed 100 percent for those states that have adopted an advanced loan approval approach, which makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. Georgia is proceeding to convert its DWSRF available funds into executed loans at a rate of 100 percent. GEFA's pace for FY23 has declined slightly from FY21 and FY22; however, that is expected with the influx of new BIL funding and implementation of new requirements. GEFA is committed towards maintaining a high pace for their program.

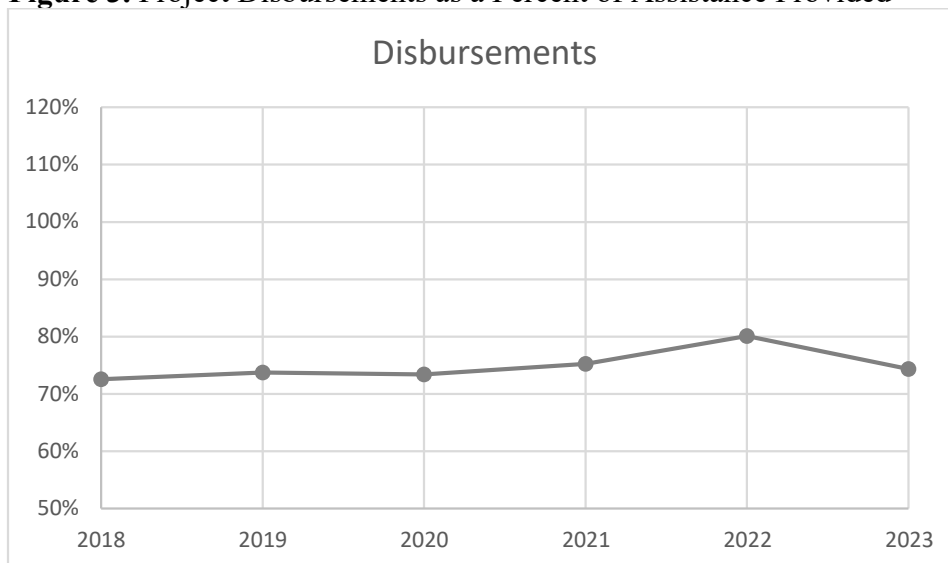


**Figure 2. Executed Loans as a Percent of Funds Available (Pace)**



The **Project Disbursements as a Percent of Assistance Provided** indicator measures the speed at which projects are proceeding to completion. This indicator shows the relationship between loan disbursements and the total amount of funding provided. This indicator has a wide range of values but will not exceed 100 percent as that would indicate disbursing more funds than have been committed. During FY23, Georgia proceeded at a 74 percent rate, a decrease from the FY22 disbursement rate of 80 percent. The decrease was anticipated by the state as various factors may have resulted in construction delays and therefore invoices for costs incurred.

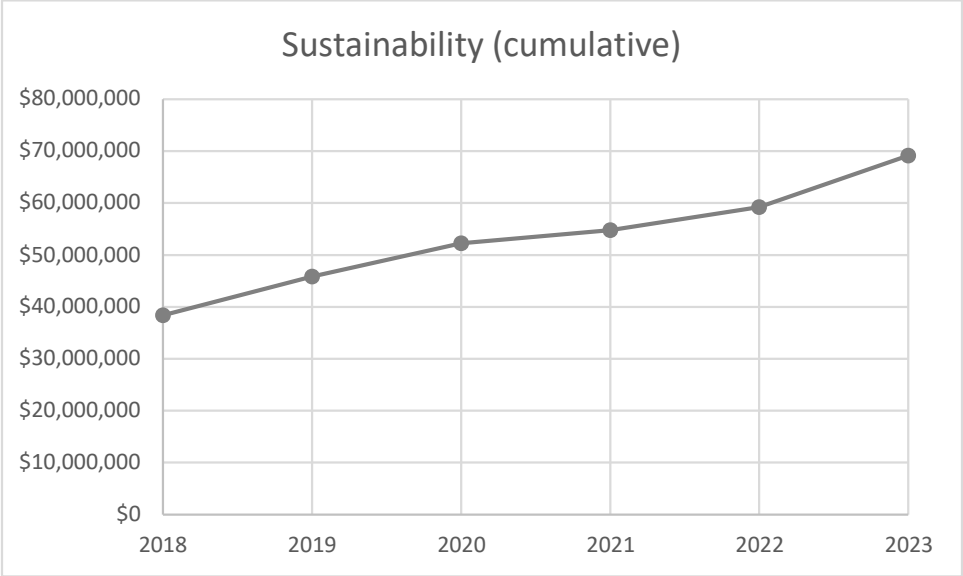
**Figure 3. Project Disbursements as a Percent of Assistance Provided**



The **Sustainability Excluding Subsidy** indicator seeks to gauge how well the State's DWSRF fund is maintaining the invested capital, without adjusting for loss of purchasing power due to inflation.

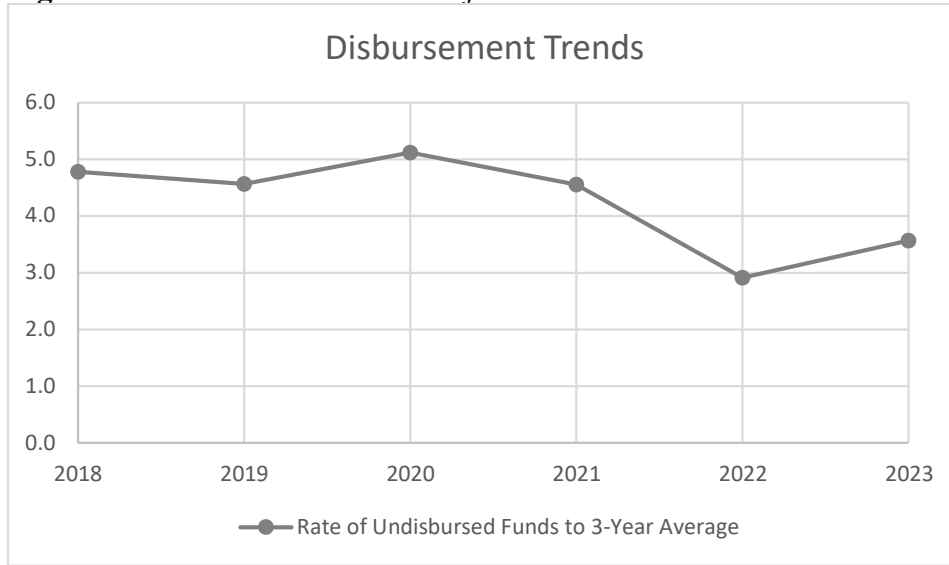
Sustainability is a measure of Perpetuity, which is a measure of the amount of net earnings that have been generated by the operations of the DWSRF program. This indicator measures the dollars that have been returned to the DWSRF over and above the initial federal grants and state match deposits. These will contribute to the viability of the DWSRF and enable it to exist in perpetuity as intended by Section 1452 of the SDWA. This value should be greater than \$0 (no net earnings). The Sustainability indicator for the State of Georgia has reached over \$69 million in SFY 2023.

**Figure 4. Sustainability Excluding Subsidy**



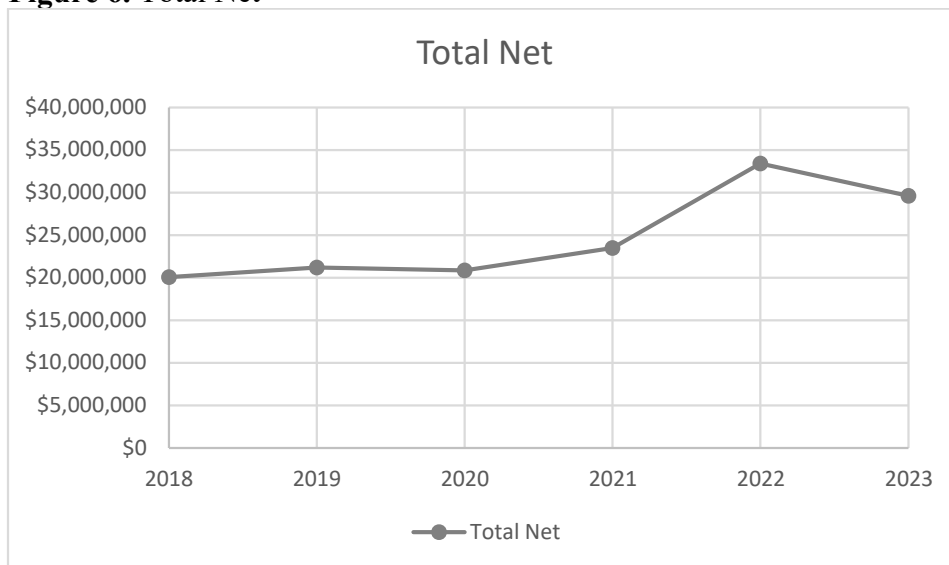
The **Ratio of Undisbursed Project Funds to Disbursements** evaluates how efficiently SRF funds are revolving by examining a program’s disbursement rate over a set period and comparing it to the amount of cash on hand. The results of this measure reflect the number of years it would take to spend the cash on hand, assuming the future disbursements are consistent with average annual disbursements over the past three years. The State of Georgia has approximately 3.6 years’ worth of undisbursed funds on hand in SFY23. The ratio is calculated by taking the amount of all available undisbursed funds at the end of the fiscal year and determining how many years it would take to draw down that amount based on the average drawdown rate over the last three years of disbursements. The unofficial goal is to have a ratio less than 2.0, which represents having less than two years of undisbursed funds. As of June 30, 2023, Georgia has \$246,339,210 in undisbursed funds with a three-year average annual disbursement amount of \$69,012,456 equating to an undisbursed fund ratio of 3.6. GEFA is continuing its effort to decrease the undisbursed fund ratio towards the less than two-year goal by ensuring that the prioritization of ready-to-proceed projects and processing disbursements to eligible borrowers in a timely and expeditious manner.

**Figure 5. Ratio of Undisbursed Project Funds to Disbursements**



**Total Net** measures the extent by which internal growth is generating additional funding for new projects. It accomplishes this by taking the total cash inflows generated by ongoing loan and investment activity and subtracting out debt service payments from outstanding match and leveraged bonds. New federal capitalization grants and leveraged bond issues are also excluded from this calculation. This measure reflects the amount of new annual project funding generated solely from net repayments. Georgia's total net is \$29 million, which is indicative of the state continuing to grow its program.

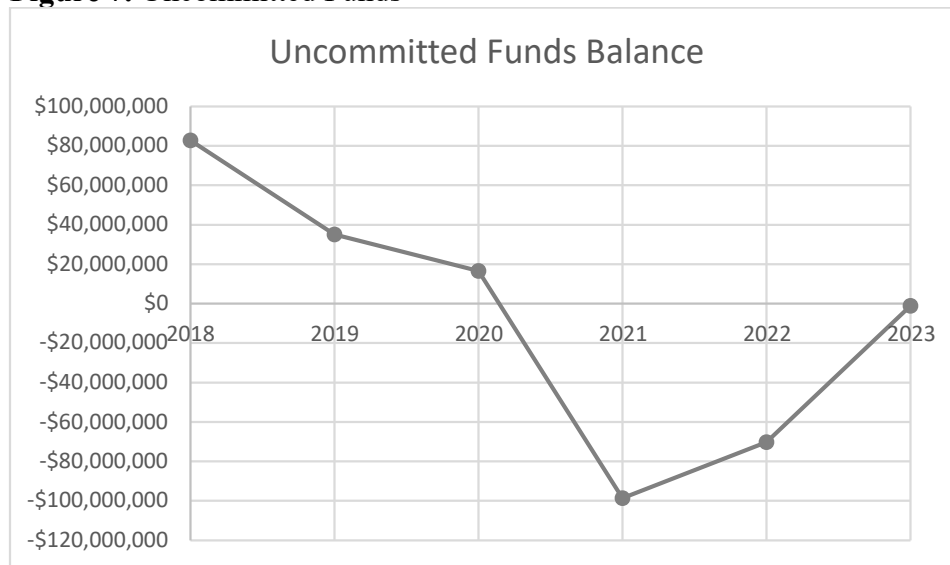
**Figure 6. Total Net**



**Uncommitted Funds** measures the amount of funds that have not been committed to projects via loan agreements. This indicator includes all capitalization grants, state match, revolved funds, and fees deposited into the fund where applicable. This indicator has a wide range of values and can fall below \$0

for those states that have adopted an advanced loan approval approach, which makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. As of June 30, 2023, GEFA's DWSRF uncommitted fund balance for FY23 was -\$1,062,367 indicating that there are no uncommitted funds. GEFA has committed roughly \$1 million in project assistance than available funds cumulatively. GEFA did not leverage the SRF program during FY23.

**Figure 7. Uncommitted Funds**



### **Georgia DWSRF Program Health Narrative**

During the FY23 Annual Review, Region 4 reviewed financial indicators derived from data submitted to the SRF Data System. Based on this review, an analysis of the overall program financial health has been developed to further inform the annual review cycle.

### **Commitments and Disbursements**

Georgia has displayed a strong ability to commit funds to loans, maintaining a negative cumulative uncommitted funds balance and a pace of 100 percent or greater for the past three years. Georgia DWSRF disbursements are an opportunity for improvement within the program. Per the *Maximizing Water Quality and Public Health Benefits by Ensuring Expeditious and Timely Use of All State Revolving Fund Resources* memorandum, the EPA will gauge disbursement performance as adequate when the three-year cash-to-average-annual-disbursement ratio is at or below two years. While the three-year average annual disbursements have risen, it is recommended that the state continue to improve its fund disbursements to bring the average annual disbursement ratio to the metric goal of two years.

### **Sustainability and Total Net Earnings**

Program sustainability takes in to account the state's ability to balance interest earnings from both loans and interest earning accounts, which grow the overall loan capacity of the SRF, with interest and principal payments made by the SRF on match bonds, which will reduce the SRF loan capacity. The goal is for the sustainability metric to be positive. The sustainability indicator for GEFA details a program that is growing. This view is bolstered when looking at the total net performance. Total net earnings consider the sustainability as well as principal repayments made to the SRF from borrowers and the payments by the

SRF on leverage bonds. Because GEFA does not currently have match or leverage bonds that require repayment, all interest and principal repayments made to the SRF continue to grow the loan capacity of the program.

While the overall performance is good, two areas of discussions arose during review: the rise in interest earnings on investments and the decrease in loan principal repayments. An SRF is expected to achieve growth, but a rapid rise in investment earnings can indicate that cash is accumulating in SRF account very quickly or is sitting in the account long enough to accrue significant interest. Additionally, principal repayments on SRF loans fell by 32 percent over the last year. GEFA explained that a series of principal payoffs, extra principal repayments, and principal reductions occurred in FY22 when interest rates made it more favorable for local governments to go to the bond market than FY23. GEFA also explained that with the increase of funding through BIL, the state did not have to rely on repayment dollars for recipient reimbursements and was able to instead keep the repayment funds in investment accounts, earning more interest.

## SECTION XI: SET ASIDE PERFORMANCE

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Section 1452(g)(2) of the SDWA allows the DWSRF program the option of using up to 31 percent of their capitalization grant for activities that protect sources of drinking water, enhance water systems management, and capacity development strategies. This is provided through a mechanism known as the DWSRF set asides. For the FY22 DWSRF Base capitalization grant, GEFA obligated \$5,119,030, or 31 percent, for set-aside activities. For the FY22 DWSRF BIL General Supplemental capitalization grant, GEFA obligated \$6,206,514, or 15 percent, for set-aside activities. GEFA used their set-asides in the following manner:

### **Base**

#### **Small System Technical Assistance – 2 percent**

The SDWA allows funds for technical assistance and training to help small systems build the capacity they need to provide safe drinking water. For the FY22 capitalization grant, GEFA reserved \$330,260 for this set aside. During state FY23, Georgia spent \$573,350 via a contract with the Georgia Rural Water Association to provide "circuit rider" type technical activities, including technical and managerial assistance and Synthetic Organic Compound (SOC) sampling. For the contract period from July 1, 2022, to June 30, 2023, a total of 2,440 visits were made to small water systems requiring technical assistance, and 320 visits were made to collect and submit the required SOC samples to the Environmental Protection Division (EPD) laboratory.

#### **Program Administration – 4 percent**

Program Administration may be four percent of the capitalization grant, \$400,000, or 1/5 percent of the current valuation of the fund (whichever the state chooses) to cover the reasonable costs of administration of the DWSRF programs. For the FY22 capitalization grant, the State of Georgia obligated \$660,520 for administration expenses to GEFA administration for personnel. During state FY23, GEFA disbursed \$79,279.99 of its reserved authority for this set-aside.

**State Program Management – 10 percent**

The State Program Management set-aside is generally used to support a state's Public Water System Supervision (PWSS) Program. For the FY22 capitalization grant, GEFA reserved \$1,651,300 for this set-aside for Georgia's PWSS Program. During state FY23, GEFA did not have disbursements of this activity from the FY22 cap grant, however GEFA disbursed \$2,859,142 from this set aside from prior capitalization grants to support operator training and certification; cross-connection control; capacity development; source water assessment and wellhead protection; information management; and activities to promote water conservation and efficiency.

**Local Assistance – 15 percent**

The SDWA allows the local assistance set-aside to provide assistance, including technical and financial assistance, to public water systems as part of a capacity development strategy and for source water protection activities. For the FY22 capitalization grant, GEFA obligated \$2,476,950 for this set-aside. During state FY23, GEFA disbursed a total \$3,508,177 for capacity development from prior capitalization grants, including EPD's inspections and onsite technical assistance for public water systems; wellhead protection, including through the update of 19 wellhead protection plans and 75 new wellhead evaluations; contracts with the Georgia Rural Water Association for technical assistance to small systems and operator training; and support to the Georgia Water and Wastewater Institute for the delivery of a 140 courses related to water, wastewater, and/or laboratory operations and the training of 2,684 operators.

**Bipartisan Infrastructure Law – General Supplemental****Small System Technical Assistance – 2 percent**

The SDWA allows funds for technical assistance and training to help small systems build the capacity they need to provide safe drinking water. For the FY22 capitalization grant, GEFA obligated \$848,000 for this set-aside for a contract with the Georgia Rural Water Association to carry out technical assistance activities with small public water systems, including sampling of Synthetic Organic Compounds. During state FY23, GEFA did not make any disbursements from this capitalization grant for this set-aside.

**Program Administration – 4 percent**

Program Administration may be four percent of the capitalization grant, \$400,000, or 1/5 percent of the current valuation of the fund (whichever the state chooses) to cover the reasonable costs of administration of the DWSRF programs. For the FY22 capitalization grant, GEFA reserved \$1,696,000 for this set-aside for GEFA and EPD to carry out activities supporting project reviews, planning, information tracking, development of the National Needs Survey, project ranking, environmental reviews, assistance with data entry for the SRF Data System, and administration of the DWSRF funds, amongst other activities. During state FY23, GEFA did not make any disbursements from this capitalization grant for this set-aside.

**State Program Management – 10 percent**

The State Program Management set-aside is generally used to support a state's Public Water System Supervision (PWSS) Program. For the FY22 capitalization grant, GEFA reserved \$1,819,229 for this set-aside for Georgia's PWSS Program to support operator training and certification; cross-connection control; capacity development; source water assessment and wellhead protection; information management; and activities to promote water conservation and efficiency. During state FY23, GEFA did not make any disbursements from this capitalization grant for this set-aside.

### **Local Assistance – 15 percent**

SDWA allows the local assistance set-aside to provide assistance, including technical and financial assistance, to public water systems as part of a capacity development strategy and for source water protection activities. For the FY22 capitalization grant, GEFA reserved \$1,843,285 for a contract with EPD to implement the state's Capacity Development Strategy and wellhead protection program activities, amongst other activities. During state FY23, GEFA did not make any disbursements from this capitalization grant for this set-aside.

## **SECTION XII: FOLLOW UP ON PRIOR YEAR PROGRAM EVALUATION REPORT**

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There were three EPA recommendations in the FY22 DWSRF PER.

1. EPA Region 4 recommends GEFA continue in its effort to minimizing unliquidated obligations within the set-aside program.
  - a. Activities funded under the SRF Set-aside contracts accomplish invaluable work for the state's water systems. At the time of this report, GEFA's set-aside balances totaled \$14,287,849.38 with a spending rate of 92 percent. Approaches to address the unliquidated balances include transferring excess funds to the drinking water project fund account.

*Status: GEFA is making progress towards minimizing their unliquidated obligations (ULO) within the set-aside program. As of 6/30/23, GEFA's set-aside balances for capitalization grants FY21-FY22 totaled \$28,482,534 with a spending rate of 83 percent. While this balance has increased, it is due to the additional obligations of set-asides for the additional general supplemental DWSRF Bipartisan Infrastructure Law (BIL) funding. Putting aside the BIL funding, GEFA has made improvements regarding their existing ULOs for FY21-FY22 base funding decreasing the balance to \$11,586,740.59. During the review, EPA discussed additional approaches to decreasing ULOs including the transfer of the unused funds back to projects. GEFA continues to track their set-aside spending and coordinate with GA EPD regarding the timely and expeditious expenditures of set-asides.*

2. EPA Region 4 recommends that the state update internal documents related to the environmental review and permitting process to take into account the following:
  - a. The 2021 reinstatement of Executive Order 13690 regarding the Federal Flood Risk Management Standard; and
  - b. The potential for streamlining the state's categorical exclusion workflow by removing the requirement for a 30-day public comment period, a change that would be in line with the 2007 revisions to EPA's procedures for implementing the National Environmental Policy Act. EPA recommends that, while not required, the state continue to provide public notice of categorical exclusions. In any case, the state should

be prepared to make a copy of the determination document for the categorical exclusion available to the public upon request.

*Status: Following the FY22 annual review, GEFA worked with EPD to update application materials for SRF applicants to require them to evaluate floodplain risks for projects on the basis of (i) the 500-year floodplain elevation, or (ii) the 100-year flood elevation + 3ft freeboard (i.e., two of the approaches approved by EPA for compliance with the reinstated Federal Flood Risk Management Standard).*

*No change has been made to the 30-day public comment period for DWSRF projects that are eligible for a Categorical Exclusion (CE), although EPD did decide to implement this change for CWSRF projects that are eligible for a CE.*

3. EPA Region 4 recommends that the state utilize the significant increase in SRF funding for infrastructure projects that make water systems more resilient to all threats—whether it is natural disasters, climate change, or threats such as bioterrorism and cyber-attacks.

*Status: GEFA has made measurable progress on this recommendation by requiring all SRF applicants to evaluate floodplain risks for their projects using the approaches that EPA has approved for compliance with the Federal Flood Risk Management Standard. At the same time, GEFA continues to promote project eligibilities related to resiliency and climate change, including generators at pump stations, installation of solar arrays at water and wastewater treatment facilities, the use of Supervisory Control and Data Acquisition systems, stormwater management (especially for disadvantaged communities which are often located in low elevation areas) and the creation of stormwater utilities. Furthermore, GEFA also limits the use of coastal groundwater wells (to minimize risks of seawater intrusion in coastal aquifers) and promotes regional solutions using surface water. In terms of other measures to improve resiliency, GEFA has expressed interest in working with EPA to identify low or no-cost practical cybersecurity measures that its assistance recipients could adopt, and this will be explored in the coming year.*

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## SECTION XIII: RECOMMENDATIONS

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1. EPA recommends GEFA continue in its efforts to maximize timely and expeditious expenditures and use of all SRF funds available to increase their disbursement ratio and decrease rate of Undisbursed Funds to three-year average. GEFA's DWSRF disbursement ratio at the end of the fiscal year was 74 percent, a decrease from the FY22 disbursement ratio of 80 percent. The DWSRF rate of Rate of Undisbursed Funds to three-year average was 3.6. EPA encourages the state to work towards a goal of one to two years. Approaches to address the disbursement ratio include executing binding commitments within one year after the award and ensuring that projects are ready to proceed.
2. EPA recommends that GEFA ensure that all relevant data for assistance agreements are consistently entered in the OWSRF Data System, including the associated fiscal year appropriation grant, and the assigned additional subsidization.



3. In loan agreements for the DWSRF equivalency projects, EPA recommends that GEFA require assistance recipients to comply with the following requirements:
  - Appropriate State Revolving Fund base or Bipartisan Infrastructure Law signage requirements.
  - Prohibition on certain telecommunication and video surveillance services or equipment (2 CFR 200.216).
  - The Uniform Relocation Assistance and Real Property Acquisition Policies Act. Loan agreements for projects for land acquisition should specify that any land acquired through the DWSRF program must be from a willing seller, in keeping with Safe Drinking Water Act (SDWA §1452(a)(2)).
4. For all DWSRF projects, EPA recommends that GEFA consider having the assistance recipient's engineer certify that the useful life of a project does not exceed the loan term, rather than accepting the self-certification of the assistance recipient on the loan application. In this way, GEFA can ensure that a qualified expert is making this important determination.
5. EPA recommends that GEFA revise its Operating Agreement to reflect updates to the SRF program and to incorporate new changes introduced by the Bipartisan Infrastructure Law, such as the Build America, Buy America Act, and enhancing public awareness for BIL SRF signage requirement.
6. EPA recommends that GEFA update and expand its State Environmental Review Process (approved 1/10/1989) for the DWSRF program.
7. EPA recommends that GEFA consider streamlining their review of federal environmental cross-cutting authorities by implementing the guidance in the 2013 EPA Memo "Procedures for Implementing Environmental Federal Cross-Cutting Authorities in the Clean Water and Drinking Water State Revolving Fund Programs".
8. Regarding DWSRF equivalency projects for which GEFA intends to apply the Build America Buy America design planning waiver (i.e., those projects that initiated design planning prior to May 14, 2022), EPA recommends that GEFA maintain a list that includes for each project:
  - Project name
  - Assistance agreement identification number
  - Description of significant manufactured products or construction materials likely subject to the waiver (up to 10 items)
  - Date of initiated and documented design activity qualifying project for waiver

## SECTION XIV: FINDINGS

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GEFA's disbursement of \$222,648.04 to an ineligible account on March 27, 2023, was an improper payment. As noted in the SRF Fund Management Handbook dated March 2018, sound accounting and reporting practices are key components in the management and administration of the SRF Program. 40 CFR § 35 Subpart L requires that SRF programs be managed in a fiscally prudent manner and have policies and processes that promote the long-term financial health of the fund. Cyber security is paramount and multiple review affirmations will increase security and greatly reduce the occurrence of improper payments. In addition, one transaction testing resulted in an improper payment that was due to an accounting error in the total amount of \$0.05. To correct the improper payment EPA R4 requested that GEFA:

1. Update their financial internal control policies and procedures to include multistep affirmations prior to loan disbursement, consistent with EPA's "Zero Trust" (Never Trust, Always Verify) policy for all financial SRF transactions as stated in the Term and Conditions for SRF capitalization grants.

**Status:** *As of the date of this report, GEFA has since updated their Financial Internal Controls Standard Operating Procedures (SOPs) to implement new electronic bank processing procedures for all SRF financial transactions. The new policy applies to all GEFA employees who directly or indirectly interact with payees or payors of the authority. The updated state procedures now include an additional measure of verbal verification of all financial account information both initially and prior to any account changes consistent with EPA's "Never Trust, Always Verify" Term and Condition for SRF financial transactions. EPA R4 has reviewed the new SOP and found the updates adequate to satisfy the Region's request.*

2. Repay the ineligible costs in an amount totaling \$222,648.04, using state funds, back to the SRF revolving fund.

**Status:** *GEFA corrected the improper payment that occurred from a cybersecurity breach resulting in a disbursement to an ineligible account. The state made a refund payment in an amount of \$222,648.04 using state funds (GEFA DW fee account) to the State's DWSRF Recycled Loan Account (GEFA's DW Repay fund account). Transaction transfer was completed on 12/29/2023. EPA Region 4 reviewed the transaction documents, confirmed that the improper payment disbursement was not made from a federal capitalization grant but rather from GEFA's DW Repay account, which is their DWSRF revolving fund account, and noted confirmation of payment completion. The improper payment finding for FY23 has been closed.*

3. Reconcile the accounting errors for cash draw 23AS1465938 where the total disbursement amount is \$0.04 less than cash draw amount and the \$0.01 overpayment on the Coosa disbursement, \$126,726.69 disbursed on 8/18/23. Based on invoiced amount and adjustments, the disbursement should have been \$126,726.68. This resulted in an improper payment totaling \$0.05. EPA requires that the improper payment be corrected on future invoices and documentation of reconciliation provided to EPA Region 4.

## SECTION XV: STATEMENT OF COMPLIANCE WITH SRF ANNUAL REVIEW GUIDANCE

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EPA Region 4 has conducted an annual review of Georgia's Drinking Water State Revolving Fund Program for FY23 in accordance with EPA's SRF Annual Review Guidance.