**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**
**REGION III**
**1650 Arch Street**
**Philadelphia, Pennsylvania 19103-2029**

AUG 0 6 2007

Mr. Walter Ivey, Director
Environmental Engineering Division
Office of Environmental Health Services
Bureau for Public Health
West Virginia Department of Health and Human Resources
Capitol and Washington Streets
1 Davis Square, Suite 200
Charleston, WV 25301-1798

Dear Mr. Ivey:

Enclosed is the final Program Evaluation Report (PER) on the West Virginia Drinking Water Treatment Revolving Fund (DWTRF) program. The report covers the program's performance during the period July 1, 2005 through June 30, 2006.

The Bureau for Public Health (BPH) submitted its DWTRF Annual Report in compliance with Section 1452 of the Safe Drinking Water Act. The Annual Report outlined accomplishments in achieving the goals identified in the State's Intended Use Plan for the DWTRF program. This PER describes our evaluation of the State's program. The Environmental Protection Agency (EPA) conducted an on-site evaluation from April 4 to 6, 2006.

EPA commends BPH for its success in meeting the needs of small (77% of total loan funds) and disadvantaged communities (67% of total loan funds) – placing the State in the top ten for assistance to small systems. The State also manages the program effectively and efficiently.

While the State met the binding commitment requirement through FY 2006, many projects were bypassed because they were not ready to proceed. EPA is concerned that some high priority projects may not be moving forward expeditiously. In addition, these bypasses slowed the pace of construction. The State's pace of loan issuance is 76%. Although this is a significant improvement over prior year performance, the State's pace remains substantially below the national average (86%). EPA commends BPH for preparing a detailed report outlining opportunities for increasing loan pace. However, EPA recommends that BPH develop a more specific plan showing priorities and schedule for carrying out the report's recommendations.

The enclosed PER outlines a number of other recommended action items for BPH to enhance DWTRF program management. EPA requests that BPH provide a plan of action to EPA within 30 days of receipt of the final FY 2006 PER which outlines steps that BPH has taken or

will take to expeditiously address the identified action items. Key required and recommended action items include:

- Submitting a program pace implementation plan which identifies the priorities and schedule for carrying out recommendations of the BPH pace report;
- Re-assessing how existing awarded set-aside funds can effectively be used to increase loan pace (e.g., increased DWTRF program marketing and assistance to loan applicants to reduce time to loan closing) and support other drinking water program priorities in order to expedite the rate of expenditure of set-aside funds; reviewing the need for additional funding in the Program Management and Local Assistance set-aside categories from future grants; and if these measures do not sufficiently increase the rate of set-aside funds expenditure, considering the transfer of surplus set-aside funds to the DWTRF project fund;
- Taking appropriate steps to expedite expenditure and cash draws of Federal funds available for the DWTRF program;
- Providing EPA with supporting documentation so that EPA is able to reconcile the FSRs and FCTRs; and
- Making the necessary adjustments regarding administrative costs between the Annual Report and DWNIMS and providing EPA corrected reports.

EPA commends the State for resolving all action items identified in the FY 2005 PER in a timely manner.

If you have any questions, please contact me at (215) 814-5345 or have your staff contact Mary Brewster at (215) 814-5456.

Sincerely,

Lorraine H. Reynolds

Lorraine H. Reynolds, Associate Director
Office of Infrastructure and Assistance
Water Protection Division

Enclosure

cc: Robert DeCrease, BPH