Prior OIG Audits Relevant to RUS' Infrastructure Funding

March 2022



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TO:	Robert Bonnie Under Secretary Farm Production and Conservation	Chris McLean Acting Administrator Rural Utilities Service
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FROM:	Gil H. Harden Assistant Inspector General for Audit	

SUBJECT: Prior OIG Audits Relevant to RUS' Infrastructure Funding

As you are aware, the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (IIJA), signed on November 15, 2021, provided the U.S. Department of Agriculture (USDA) more than \$8.3 billion in funding. Of this amount, IIJA provided \$2 billion for the Rural Utilities Service's (RUS) Distance Learning, Telemedicine and Broadband Program.

As part of the Office of Inspector General's (OIG) oversight responsibility, one of our first tasks was to review¹ the results of prior OIG audits that were relevant to the RUS broadband funding² provided by IIJA. This prior work examined prior RUS broadband programs as well as infrastructure funding for Substantially Underserved Trust Areas (SUTA). Based on our review, we identified the following findings that RUS should consider to ensure activities and programs continue to operate with the proper control environment in order to remain effective and operationally efficient. According to information maintained by the Office of the Chief Financial Officer (OCFO), the recommendations associated with these prior audits have been implemented.³ As further described below, we are currently evaluating RUS' Rural eConnectivity Pilot Program (ReConnect Program).

¹ We performed this review as a non-audit service. A non-audit service, also known as a consulting service, is a service other than an audit, attestation engagement, inspection, evaluation, or investigation. A non-audit service consists of tasks or services consistent with auditors' skills and expertise that do not create a threat to auditor independence. Therefore, the data and information provided were not verified or analyzed, and no audit procedures were performed on them. The report compiles information from the previously published OIG reports or communicates the objectives of current work-in-process.

² OIG has not performed work related to RUS' distance learning or telemedicine programs.

³ We based this determination on information reported in OCFO's Audit Follow-up Tracking and Reporting System as of March 7, 2022.

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• Infrastructure Funding for SUTA⁴

RUS and Rural Development administer rural infrastructure programs that provide assistance to Native American governments and communities, also known as SUTAs. OIG concluded that RUS had adequate controls in place regarding its implementation of the SUTA provisions and did not identify any instances of ineligible applicants receiving benefits designated for SUTAs.

However, OIG identified areas where RUS and Rural Development could better track their efforts to meet their vital goal of providing assistance to Native American governments and communities in trust areas. Specifically, we found that RUS' application system did not track: (1) the number of loans and grants made specifically to Native American communities in SUTAs; or (2) whether SUTA provisions were applied to these loans and grants. Additionally, in two States we reviewed, Rural Development officials did not document their outreach activities to SUTAs in their designated system of record.

According to RUS, implementing SUTA provisions was critical to its broader efforts to make all programs more accessible to tribal governments and communities. Thus, we concluded that RUS and Rural Development could more easily demonstrate progress in making loans and grants to SUTAs and demonstrate that outreach was conducted in a timely and equitable manner by improving their ability to track activities in their information systems.

• RUS' ReConnect Program⁵

In 2018, Congress established the ReConnect Program to encourage the expansion of broadband services to rural areas by awarding grants and low-interest loans to eligible broadband service providers in underserved areas. The ReConnect Program offers unique federal financing and funding options in the form of loans, grants, and loan/grant combinations to facilitate broadband deployment in areas of rural America that do not currently have sufficient access. Our current audit will determine if: (1) RUS awarded ReConnect funding to eligible applicants and projects, and (2) the evaluation criteria were accurately used to score and rank applications when awarding funds. This audit will also support and inform OIG's oversight of the \$2 billion in funding from IIJA for the ReConnect Program and the cost of broadband loans.

Our current audit is focused on RUS' award processes for applicant eligibility and evaluation in the ReConnect Program. This work allows us to consider how the ReConnect Program addresses any applicable concerns we raised in our prior audits of earlier broadband programs. These concerns included such matters as the adequacy of program guidance and controls, the level of service to rural areas, and the sufficiency of access to broadband services.⁶

 ⁴ Audit Report 09601-0002-41, Infrastructure Funding for Substantially Underserved Trust Areas, Jun. 2019.
⁵ Audit 09601-0001-23, Rural eConnectivity Pilot Program (ReConnect Program)—Award Process. This work is currently in progress.

⁶ We issued four prior reports related to RUS' prior broadband programs from 2005 to 2013: (1) Audit Report No. 09601-4-Te, *Broadband Grant and Loan Programs*, Sept. 2005; (2) Audit Report No. 09601-8-Te, *RUS Broadband Loan and Loan Guarantee Program*, Mar. 2009; (3) Audit Report 09703-0001-32, *American Recovery and*

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This memorandum contains publicly available information and will be posted in its entirety to our website (http://www.usda.gov/oig) in the near future.

cc:

USDA Infrastructure Implementation Team

Reinvestment Act of 2009—Broadband Initiatives Program—Pre-Approval Controls, Mar. 2013; and (4) Audit Report 09703-0002-32, *American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—Post-Award Controls*, Aug. 2013.

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