



# Audit Report



OIG-23-032

## CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

### Audit of the Community Development Financial Institutions Fund's Award and Post-Award Administration of the CDFI Rapid Response Program

September 13, 2023

Office of Inspector General  
Department of the Treasury

**This Page Intentionally Left Blank**

# Contents

---

## Audit Report

Results in Brief .....	2
Background.....	3
Audit Results.....	10
The CDFI Fund Accurately Administered CDFI RRP Award Payments and Designed and Implemented Post-award Processes to Comply With the CAA, 2021, Federal Guidance, and Policies and Procedures .....	10

## Appendices

Appendix 1: Objective, Scope, and Methodology .....	17
Appendix 2: Management Response.....	24
Appendix 3: Major Contributors to This Report .....	25
Appendix 4: Report Distribution .....	26

## Abbreviations

AMIS	Awards Management Information System
Assistance Agreement	<i>CDFI RRP Assistance Agreement</i>
BFS	Bureau of the Fiscal Service
CAA, 2021	<i>Consolidated Appropriations Act, 2021</i>
CDFI	Community Development Financial Institutions
CDFI ERP	CDFI Equitable Recovery Program
CDFI RRP	CDFI Rapid Response Program
CFR	Code of Federal Regulations
COVID-19	Coronavirus Disease 2019
FSA	Financial Statement Audit
FY	Fiscal Year
GAO	U.S. Government Accountability Office
Green Book	<i>GAO's Standards for Internal Control in the Federal Government</i>
FM	Financial Manager
NOFA	Notice of Funding Availability
OCME	Office of Compliance Monitoring and Evaluation
OMB	Office of Management and Budget

OIG	Treasury Office of Inspector General
PM	Program Manager
SAM	System for Awards Management
SOP	Standard Operating Procedure
TLR	Transaction Level Report
Treasury	Department of the Treasury
Uniform Guidance	<i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200</i>



# Audit Report

---

September 13, 2023

Marcia Sigal  
Acting Director of the Community Development Financial  
Institutions Fund

This report presents the results of our audit of the Community Development Financial Institutions (CDFI) Fund's Award and Post-Award Administration of the CDFI Rapid Response Program (CDFI RRP) authorized by Title V, Subtitle B in Division N of the *Consolidated Appropriations Act, 2021* (CAA, 2021)<sup>1</sup> to provide emergency support to CDFIs<sup>2</sup> and communities responding to the economic impact of the Coronavirus Disease 2019 (COVID-19). The Department of the Treasury's (Treasury) Office of Inspector General (OIG) is required to submit a report twice a year to Congress<sup>3</sup> and Treasury on the oversight provided for the programs established under Subtitle B, including any recommendations for improvement. In accordance with this mandate, we conducted this audit.

The objective of our audit was to assess the CDFI Fund's award process for ensuring the accuracy of the CDFI RRP payments and the design of the post-award administration to include recipient monitoring in compliance with applicable laws, regulations, and policies and procedures. The scope of our audit included, but was not limited to, reviewing CDFI RRP award documentation, award terms and conditions, post-award policies and procedures, and any performance measurements and reporting to monitor recipient

---

<sup>1</sup> P.L. 116-260, *Consolidated Appropriations Act, 2021* (December 27, 2020).

<sup>2</sup> A CDFI must have a primary mission of promoting community development. The CDFI Fund will consider whether the activities of the entity are purposefully directed toward improving the social and/or economic conditions of underserved people (which may include low-income persons or persons who lack adequate access to capital and/or financial services) and/or residents of economically distressed communities.

<sup>3</sup> The committees of Congress named under Subtitle B include the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

---

compliance with terms and conditions of awards. Our audit scope included CDFI RRP awards approved as of June 15, 2021, for 863 recipients totaling \$1.25 billion.

To accomplish our audit objective, we reviewed applicable Federal laws, regulations, and guidance; reviewed CDFI Fund documentation and policies and procedures related to the administration of CDFI RRP awards, to include recipient monitoring; reviewed executed *CDFI RRP Assistance Agreements*<sup>4</sup> (Assistance Agreements); and interviewed CDFI Fund personnel. To assess the accuracy of award payments, we selected a statistical sample of 91 CDFI RRP payments to recipients, totaling \$117.03 million, from the population of 968,<sup>5</sup> totaling approximately \$1.18 billion as of August 4, 2022.<sup>6</sup> We also selected a non-statistical sample of five CDFI RRP award recipients for the purpose of assessing the design of the CDFI Fund's post-award administration.

We conducted our fieldwork remotely between June 2022 and May 2023. Appendix 1 contains a more detailed description of our audit objective, scope, and methodology.

## Results in Brief

In brief, we found that CDFI Fund management documented the CDFI RRP awards process across multiple standard operating procedures (SOPs) consistent with the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book).<sup>7</sup> CDFI Fund management also accurately calculated CDFI RRP awards and administered them in accordance with the CAA, 2021 and the Office of Management

---

<sup>4</sup> The Assistance Agreement is a legally binding contract between the CDFI Fund and the recipient. It contains the following key components: annual reporting requirements and associated deadlines; performance goals and measures; authorized activities for award funds; general award terms and conditions; and schedules for other forms of award, as applicable.

<sup>5</sup> CDFI RRP awards were distributed to 863 recipients, and such recipients could receive an initial payment and no more than two subsequent payments totaling the award amount.

<sup>6</sup> As of August 4, 2022, the remaining funds approved for awards had yet to be disbursed.

<sup>7</sup> The Green Book sets the standards for an effective internal control system for Federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system.

---

and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 Code of Federal Regulations (CFR) Part 200* (Uniform Guidance).<sup>8</sup> However, the CDFI Fund did not comply with subsequent payment review and approval timelines for 2 of the 91 payments we tested. Despite the CDFI Fund's delays in approving the recipients' subsequent award payment requests, we do not believe there is a systemic issue with the timeliness of CDFI RRP payment reviews.

The CDFI Fund designed and implemented the CDFI RRP post-award administration process, to include recipient monitoring, in compliance with the CAA, 2021, Uniform Guidance, and GAO Green Book. CDFI Fund management developed post-award and monitoring SOPs as well as the Assistance Agreement, which incorporated Uniform Guidance requirements to recipients. Furthermore, management established: (1) procedures for evaluating CDFI RRP annual compliance reports; (2) a non-compliance process; and (3) a process for closing CDFI RRP awards. Finally, the CDFI Fund provided CDFI RRP available data for Treasury's report on the impact of programs under the CAA, 2021. Accordingly, we did not make any recommendations in this report.

As part of our reporting process, we provided CDFI Fund management an opportunity to comment on a draft of this report. In a written response, CDFI Fund management acknowledged there was no recommendation and stated that they appreciated the work of Treasury OIG staff, and the opportunity to review and provide a response to the report. The CDFI Fund's management response, in its entirety, is included in appendix 2 of this report.

## Background

### The CDFI Fund

The CDFI Fund was established by the *Riegle Community Development and Regulatory Improvement Act of 1994*<sup>9</sup> with the

---

<sup>8</sup> The Uniform Guidance is an authoritative set of rules and requirements for Federal awards.

<sup>9</sup> P.L. 103-325, *Riegle Community Development and Regulatory Improvement Act of 1994* (September 23, 1994).

---

purpose of promoting economic revitalization and community development through investment in and assistance to CDFIs.

The CDFI Fund generates economic opportunity in underserved, low-income communities by expanding access to credit, capital, and financial services through: (1) the Bank Enterprise Award Program; (2) the Capital Magnet Fund; (3) the CDFI Bond Guarantee Program; (4) the CDFI Equitable Recovery Program (CDFI ERP); (5) the CDFI Program; (6) the CDFI RRP; (7) the Economic Mobility Corps; (8) the Native American CDFI Assistance Program; (9) the New Markets Tax Credit Program; and (10) the Small Dollar Loan Program. Since inception, the CDFI Fund has provided more than \$5.5 billion through a variety of monetary award programs, \$66 billion in tax credits through the New Markets Tax Credit Program, and guaranteed more than \$2.1 billion in bonds through the CDFI Bond Guarantee Program. CDFI Fund programs aim to increase the impact of CDFIs and other community development organizations in economically distressed and underserved communities.

The CDFI Fund is led by a Director<sup>10</sup> who is supported by a Senior Advisor, the Office of Legal Counsel, the Chief Financial Officer, and the Office of Legislative and External Affairs. There are two Deputy Directors who report to the Director, the Deputy Director for Finance and Operations and the Deputy Director for Policy and Programs. The Deputy Director for Finance and Operations leads policy development, operating procedures, internal controls, as well as short- and long-term strategic plans. The Deputy Director for Policy and Programs leads the CDFI Fund's strategic vision through the design and management of the CDFI Fund's assistance programs. The Office of Compliance Monitoring and Evaluation (OCME)<sup>11</sup> Program Manager (PM), who is responsible for the management of the CDFI Fund's compliance reporting and monitoring functions, reports to the Deputy Director of Finance and

---

<sup>10</sup> As of May 8, 2023, the Deputy Director of Policy and Programs is the Acting Director of the CDFI Fund. The Senior Advisor to the Deputy Director of Policy and Programs is currently the Acting Deputy Director of Policy and Programs.

<sup>11</sup> OCME supports CDFI RRP recipients throughout the allocation and post-award period of performance. Additionally, OCME is responsible for monitoring and reviewing recipient activities for compliance with the terms and conditions set forth in the Assistance Agreements.



---

Operations. The CDFI RRP is led by a PM who reports to the Deputy Director of Policy and Programs.

### CDFI RRP

The CAA, 2021 appropriated \$3 billion to the CDFI Fund to provide emergency support for CDFIs and communities responding to the COVID-19 pandemic. Of the \$3 billion appropriated, up to \$1.25 billion<sup>12</sup> shall be used to provide grants to CDFIs to support, prepare for, and respond to the economic impact of COVID-19. Of the \$1.25 billion, no less than \$25 million must benefit Native communities.<sup>13</sup> The CDFI Fund must provide grants using a formula that takes into account criteria such as certification status, financial and compliance performance, portfolio and balance sheet strength, a diversity of CDFI business model types, and program capacity. Lastly, the CDFI Fund must have made funds available no later than 60 days after enactment of the legislation on December 27, 2020. Funds remained available until September 30, 2021.

The CDFI Fund made the appropriated funds available on February 25, 2021, meeting the mandated deadline of no later than 60 days after enactment of the CAA, 2021. Additionally, the CDFI Fund published the CDFI RRP Notice of Funding Availability (NOFA) in the Federal Register on February 26, 2021. CDFIs were required to be certified<sup>14</sup> by the CDFI Fund as of the date of the CDFI RRP NOFA publication to be eligible to apply for an award.

On June 15, 2021, the CDFI Fund announced that 863 CDFIs were approved for awards totaling \$1.25 billion. CDFI RRP recipients included 58 CDFIs awarded \$54.6 million for investments in Native

---

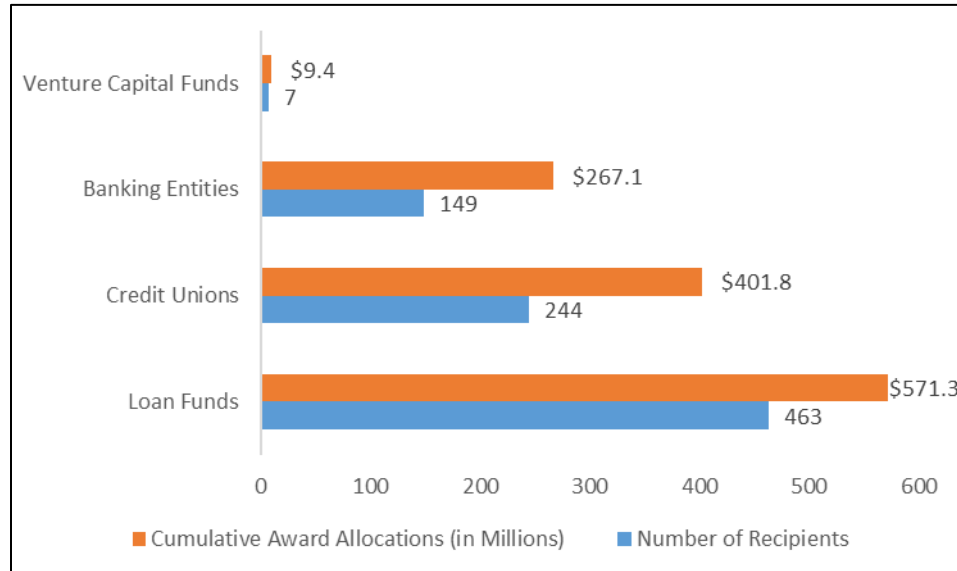
<sup>12</sup> The \$1.25 billion is allocated to the CDFI RRP. The remaining \$1.75 billion is allocated to the CDFI ERP and is not within the scope of this audit.

<sup>13</sup> Native Communities refers to Native American, Alaska Native, or Native Hawaiian populations or Native American areas described as Federally-designated reservations, Hawaiian homelands, Alaska Native Villages, and U.S. Census Bureau-designated Tribal Statistical Areas.

<sup>14</sup> A certified CDFI is an entity that the CDFI Fund has officially notified that it meets all CDFI certification requirements, which include that the CDFI: (1) is a legal entity at the time of certification application; (2) has a primary mission of promoting community development; (3) is a financing entity; (4) primarily serves one or more target markets; (5) provides development services in conjunction with its financing activities; (6) maintains accountability to its defined target market; and (7) is a non-government entity and not under the control of any government entity (Tribal governments are excluded).

American, Native Alaskan, and Native Hawaiian communities. CDFI RRP recipients are located in 48 states as well as the District of Columbia, Guam, and Puerto Rico. Figure 1 details the CDFI RRP cumulative award allocations and award recipients.

**Figure 1. CDFI RRP Cumulative Award Allocations and Award Recipients**



Source: Generated by Treasury OIG based on the CDFI Fund’s CDFI RRP Award Announcement on June 15, 2021.

CDFI RRP award amounts ranged from \$200,000 to \$1.826 million. CDFI RRP recipients that did not have audited financial statements were limited to the minimum award size of \$200,000. The period of performance for CDFI RRP awards is the recipient’s 2 fiscal years (FYs) after the date of award announcement.

**CDFI RRP General Requirements**

In addition to being certified by the CDFI Fund as of the date of the CDFI RRP NOFA, CDFIs must have complied with all outstanding CDFI awards, allocations, or bond guarantee requirements, as well as meeting benchmarks for programmatic and financial safety and soundness. The CDFI Fund allowed CDFIs to request up to 150 percent of their “Total Financial Products Closed in an Eligible

---

Market and/or Target Market”<sup>15</sup> for their most recent historic fiscal year, or the minimum award amount of \$200,000, whichever was greater.

To submit a CDFI RRP application, the CDFI must have been registered in Grants.gov,<sup>16</sup> the System for Award Management (SAM.gov),<sup>17</sup> and the CDFI Fund’s Awards Management Information System (AMIS).<sup>18</sup> The CDFI must have also obtained an Employer Identification Number,<sup>19</sup> a unique business identifier number,<sup>20</sup> and ensured consistency of information between SAM.gov and AMIS. Additionally, the CDFI must have submitted the OMB Standard Form 424 “Application for Federal Assistance,” in Grants.gov prior to submitting the CDFI RRP application in AMIS.

CDFI RRP recipients must expend 90 percent of their first payment amount in the first year of the period of performance and 100 percent of the total award amount by the period of performance end date. CDFI RRP recipients that received more than the minimum award amount were required to close financial products in an eligible market and/or target market consisting of: (1) 50 percent of the award amount by the end of the first year of the performance period; and (2) 70 percent of the award amount by the end of the second year of the performance period. CDFIs that

---

<sup>15</sup> The “Total On-Balance Sheet Financial Products Closed in Eligible Markets and/or Target Markets” is the sum of the following application financial data inputs in the CDFI RRP application: (1) on-balance sheet loans closed in eligible markets and/or target markets; (2) on-balance sheet loan guarantees made in eligible markets and/or target markets; and (3) total equity investments closed in eligible markets and/or target markets.

<sup>16</sup> Grants.gov is a centralized location for grant seekers to find and apply for Federal funding opportunities and is managed by the Department of Health and Human Services.

<sup>17</sup> SAM.gov is a web-based, government-wide application that collects, validates, stores, and disseminates business information about the Federal government’s trading partners in support of the contract awards, grants, and electronic payment processes.

<sup>18</sup> AMIS is an enterprise-wide business system that supports all CDFI Fund programs through each phase of the programs’ life-cycle, including processes related to certification, program awards and allocations, pre-award, compliance reporting, and data analysis. Additionally, applicants use AMIS to create, complete, and submit applications.

<sup>19</sup> An Employer Identification Number, also known as a Federal Tax Identification Number, is used to identify a business entity.

<sup>20</sup> A unique business identifier number is a nine-digit non-indicative numbering sequence and is assigned at the lowest organization level, i.e. business locations with a unique, separate, and distinct operations. It is assigned to all types of business organizations, including partnerships and non-profits. In April 2022, the General Services Administration transitioned from a unique business identifier number to a new Unique Entity Identifier in SAM.gov. For the CDFI RRP, the unique business identifier number was used in the application process.

---

received awards to serve Native Communities were also required to close financial products in Native Communities equivalent to the same percentages. CDFI RRP recipients could satisfy this requirement by using the CDFI RRP award or other available funds on its balance sheet.

### CDFI RRP Eligible Activities

CDFI RRP awards may be used for selected lines of business, including commercial real estate, small business, consumer financial products, consumer financial services, and affordable housing. Additionally, the CDFI RRP awards may be used on five eligible activity categories that support the delivery of financial products and services that include: (1) financial products (e.g. loans and equity investments); (2) financial services (e.g. providing checking and savings accounts); (3) loan loss reserves (e.g. award funds set aside in the form of cash reserves to cover losses on loans); (4) development services (e.g. activities that promote community development); and (5) capital reserves (e.g. award funds set aside as reserves to support a CDFI's ability to leverage other capital for a specific purpose, such as providing financing). The CDFI Fund noted that only regulated institutions<sup>21</sup> may expend a CDFI RRP award for financial services and capital reserves.

The CDFI RRP award may also be used in seven categories that support operations: (1) compensation–personal services (i.e. compensation for services CDFI employees delivered during the CDFI RRP's period of performance); (2) compensation–fringe benefits (i.e. funds paid to cover allowances and services a CDFI provides to its employees in the form of compensation in addition to its employees' salaries and wages); (3) professional service costs (e.g. costs for consultant and professional services); (4) travel costs (e.g. transportation and lodging costs); (5) training and education costs (e.g. training a CDFI conducts for its employees); (6) equipment (e.g. information technology systems); and (7) supplies (i.e. tangible personal property costing less than \$5,000). CDFIs may use "the greater of \$200,000" or 15 percent of the CDFI RRP award on these seven categories.

---

<sup>21</sup> Regulated CDFIs include insured credit unions, insured depository institutions, state-insured credit unions, and depository institution holding companies.

---

## CDFI RRP Reporting Requirements

CDFI RRP recipients were required to submit the following annual compliance reports: (1) Transaction Level Report (TLR); (2) Uses of Award Report; (3) Performance Progress Report; (4) Financial Statement Audit (FSA) Report (if applicable); and (5) Single Audit Report (if applicable). Additionally, the CDFI Fund may add or modify reporting requirements to enable the Secretary of the Treasury to conduct a study of the CDFI RRP impact, if needed.

The TLR provides transaction level information, such as the CDFI's transaction profile, borrower and investee profile, as well as award impacts. The Uses of Awards Report details how CDFI RRP award funds are being used, including the total award amount uses for the reporting period. The Performance Progress Report details the recipient's progress towards meeting the specific required benchmarks in their Assistance Agreement. The TLR is due 6 months after the CDFI's FY end date, and the Uses of Award Report and Performance Progress Report are due 3 months after the CDFI's FY end date.

As it relates to the FSA Report, non-profit recipients (including insured credit unions and state-insured credit unions), for-profit recipients, depository institution holding companies, and insured depository institutions must submit the report in AMIS, along with the recipient's statement of financial condition audited or reviewed by an independent certified public accountant. The FSA Report is due 6 months after the FY end date. Regarding the Single Audit Report, a non-profit recipient must complete an annual Single Audit Report pursuant to 2 CFR 200.500 if it expends \$750,000 or more in Federal awards in its FY, or such other dollar threshold established by OMB pursuant to 2 CFR 200.501. If a Single Audit is required, the recipient must submit the audit report to the Federal Audit Clearinghouse.

## Treasury Impact Study on Pandemic Programs Established Under CAA, 2021

Per Section 525 of the CAA, 2021, Treasury must conduct a study of the impact of the programs established under the legislation on low- and moderate-income and minority communities. Section 525 further requires that no later than 18 months after legislation

---

enactment, Treasury was to submit a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on the results of the study, to include, to the extent possible, results disaggregated by ethnic group.

## **Audit Results**

### **The CDFI Fund Accurately Administered CDFI RRP Award Payments and Designed and Implemented Post-award Processes to Comply With the CAA, 2021, Federal Guidance, and Policies and Procedures**

The CDFI Fund documented its CDFI RRP awards process across multiple SOPs consistent with the GAO Green Book. Additionally, the CDFI Fund accurately calculated CDFI RRP award amounts and processed them in accordance with the CAA, 2021 and Uniform Guidance. We tested 91 payments, totaling \$117.03 million, from a population of 968, totaling approximately \$1.18 billion, and found two instances where the CDFI Fund did not adhere to subsequent payment review and approval timelines. However, given the circumstances behind the delays, we do not believe there is a systemic issue surrounding the timeliness of the CDFI RRP payment reviews.

The CDFI Fund also designed and implemented the CDFI RRP post-award administration, to include monitoring, in compliance with the CAA, 2021, Uniform Guidance, and GAO Green Book. Finally, the CDFI Fund provided CDFI RRP available data for Treasury's report on the impact of programs under the CAA, 2021. Accordingly, we did not make any recommendations.

### **The CDFI Fund Documented the CDFI RRP Award Payment Process**

To administer and disburse CDFI RRP awards to recipients, the CDFI Fund documented its award payment process across multiple SOPs, consistent with GAO Green Book Principle 12, which states that "management should implement control activities through

---

policies.” Additionally, the CDFI Fund conducts an annual review of their payment SOPs and updates them on a regular basis.

The initial CDFI RRP award payment process begins automatically after the recipient signs the Assistance Agreement in AMIS. After a series of reviews and approvals by the CDFI RRP and OCME Portfolio Managers, AMIS generates an initial payment request that is routed to the Financial Manager (FM). After the FM conducts a due diligence review and documents approval, AMIS sends the Bureau of the Fiscal Service (BFS) Grants and Loans Branch a daily report with payments ready for processing. Thereafter, a BFS technician enters the payment information into Treasury’s financial system, and the BFS Cash Branch disburses the funds to the recipient. BFS subsequently marks the initial payment request as “paid” in AMIS and closes out the request. If the BFS Cash Branch rejects the payment, the BFS Grants and Loans Branch notifies the CDFI Fund, who then works with the recipient to remediate the issue.

Subsequent award payment requests follow a process similar to the initial payment request (described above); however, unlike the initial payment requests, the recipient submits subsequent payment requests in AMIS. Per the Assistance Agreement, recipients must have expended at least 90 percent of the initial award payment prior to requesting a subsequent payment.

The CDFI Fund also has a documented process for when a recipient is noncompliant with its Assistance Agreement. Once the CDFI Fund determines that a recipient is noncompliant, the PM may request the recipient return the funds. After BFS receives the returned funds, they will create an accounts receivable receipt and invoice for the money returned. Additionally, the FM creates a negative payment entry in AMIS, so the funds can be de-obligated and the award can be closed out.

### The CDFI Fund Administered CDFI RRP Awards in Accordance With the CAA, 2021, Federal Guidance, and Policies and Procedures

The CDFI Fund administered the CDFI RRP awards in accordance with the CAA, 2021. The CDFI Fund determined eligibility of award recipients by performing compliance and certification initial

---

eligibility checks. The CDFI Fund also performed application reviews, which included compliance and certification reviews, as well as Do Not Pay<sup>22</sup> checks. Lastly, the CDFI Fund awarded nearly \$55 million to 58 Native CDFIs, which met the requirements of the CAA, 2021 to allocate a minimum of \$25 million to Native communities.

The CDFI Fund issued CDFI RRP award payments in accordance with applicable Uniform Guidance requirements. Per 2 CFR §200.305, “advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project.” Furthermore, 2 CFR §200.305 requires that “whenever possible, advance payments must be consolidated to cover anticipated cash needs for all Federal awards made by the Federal awarding agency to the recipient.”

Consistent with 2 CFR §200.305, the CDFI Fund provided advance payments to recipients based on the amount indicated in their Assistance Agreements. Recipients were expected to expend funds on CDFI RRP activities within the first 12 months of the award announcement date. Additionally, the CDFI Fund limited recipients to two subsequent CDFI RRP payments unless otherwise waived.

The CDFI Fund accurately calculated CDFI RRP awards, consistent with CDFI RRP NOFA requirements and the “Step 4: CDFI RRP Award Amount Determination Process” SOP. The CDFI Fund created a “CDFI RRP Award Sizing Workbook” and placed all CDFI RRP applicants through tests and conditions to ensure awards were calculated and adjusted accordingly. We tested 91 payments and found that the CDFI Fund ensured: (1) the award amount did not exceed the recipient’s requested amount; and (2) the award amount did not exceed either the 150 percent of the dollar volume of the recipient’s total on-balance sheet financial products closed in an eligible market or target market for its most recent historic FY or the minimum award size (\$200,000). Additionally, the CDFI Fund:

---

<sup>22</sup> The Do Not Pay Portal allows Federal agencies to check multiple data sources to verify initial and ongoing eligibility of a vendor, grantee, loan recipient, or other beneficiary to receive Federal payments. Recipients may be ineligible because of previous default on Federal debt, fraud, or other disqualifying factors.



---

(1) identified all award sizing flags;<sup>23</sup> (2) determined final award amounts based on the application of award sizing flags; (3) finalized first and subsequent payment amounts; and (4) documented award sizing adjustments, as applicable.

The CDFI Fund generally approved CDFI RRP subsequent payment requests from recipients in accordance with policies and procedures. However, the CDFI Fund did not adhere to subsequent payment review timelines for 2 of 91 payments we tested. The “Subsequent Payment Request Job Aid” requires the CDFI RRP Program Portfolio Manager to review subsequent payment requests within 1 day. But the CDFI RRP Program Portfolio Manager reviewed and approved one recipient’s second payment request 1 day late. Additionally, the “CDFI Compliance Monitoring and Evaluation (CME) Unit SOPs” and “Subsequent Payment Request Job Aid” require OCME to conduct reviews of subsequent payment requests within 3 to 5 days. However, OCME staff and the CDFI RRP PM reviewed and approved another recipient’s subsequent payment request 18 days late.

Per the CDFI Fund, the review and approval of subsequent payment requests are one of several ongoing tasks that the OCME, as well as program staff, are assigned to at any given point in time. The changes to timelines may occur when there are: (1) staffing transitions; (2) increased workloads and competing priorities; and (3) compliance issues. Additionally, the CDFI Fund experienced delays in the hiring process, which resulted in existing staff filling multiple roles. Despite the CDFI Fund’s delays in approving the recipients’ subsequent payment requests, we believe there is not a systemic issue with the timeliness of CDFI RRP payment reviews.

### The CDFI Fund Designed and Implemented Post-award Processes, to Include Recipient Monitoring, in Accordance With Federal Guidance

The CDFI Fund established the CDFI RRP post-award administration and monitoring processes to comply with applicable requirements outlined in the CDFI Program regulations (12 CFR Part 1805). For

---

<sup>23</sup> The award sizing flags included in the “CDFI RRP Award Sizing Workbook” were the following: (1) award recommendation flag; (2) award request amount flag; (3) 150 percent total financing activities flag; (4) no audit or regulator reviewed financial statements flag; and (5) level of concern score flag.

---

example, 12 CFR §1805.803(e) requires recipients to submit information that would allow the CDFI Fund to review recipients' progress toward satisfying terms and conditions of its assistance agreement. Accordingly, the CDFI Fund designed the Assistance Agreement to include annual CDFI RRP reporting requirements (including deadlines) for recipients.

The CDFI Fund designed control activities for the CDFI RRP post-award and monitoring processes in accordance with GAO Green Book Principle 10 that states "management should design control activities to achieve objectives and respond to risks." The CDFI Fund has a non-compliance process in place for when a recipient fails to submit its applicable compliance reports. OCME follows the non-compliant overdue report process, which entails following up with the recipient and providing an additional 30 days to submit the overdue report. If the recipient does not submit the report within the 30 days, and the CDFI Fund does not grant an extension, the CDFI Fund initiates the non-compliance process. This process consists of sending a non-compliance letter to the recipient, which notes any sanctions that will be imposed.

Consistent with GAO Green Book Principle 12, the CDFI Fund documented the CDFI RRP post-award and monitoring processes across multiple SOPs. For example, the "Compliance Monitoring and Evaluation Unit Standard Operating Procedures," outlined standard sanction recommendations, non-compliant report process procedural steps, and procedures for reviewing recipient activities within the requirements of the Assistance Agreement.

The CDFI Fund also designed control activities within AMIS to achieve validity, completeness, and accuracy of compliance reports consistent with GAO Green Book Principle 11 that states "management should design the entity's information system and related control activities to achieve objectives and respond to risks." For example, the CDFI Fund implemented validations and business rules within AMIS that prevent: (1) submission of compliance reports unless all required data has been entered; (2) inaccurate data entry; and (3) compliance reports from being submitted until the recipient corrects all errors. Additionally, the CDFI Fund implemented report review notifications within AMIS. For example, when a recipient submits a compliance report, the CDFI Fund management receives an AMIS notification. Thereafter,

---

management will review the report to determine the recipient's progress towards meeting the performance goal benchmarks listed in the Assistance Agreement.

The CDFI Fund designed the Assistance Agreement to comply with the Uniform Guidance. Specifically, the CDFI Fund incorporated some applicable post-award requirements into its Assistance Agreement, such as 2 CFR §200.329 (Monitoring and Reporting Program Performance) and 2 CFR §200.339 (Remedies for Noncompliance). However, the CDFI Fund did not incorporate all applicable post-award requirements, such as 2 CFR §200.309 (Modifications to Period of Performance) and 2 CFR §200.340 (Termination). Instead, the CDFI Fund included a blanket statement in the Assistance Agreement for recipients to comply with applicable government requirements, including the Uniform Guidance. Lastly, the CDFI Fund established the CDFI RRP post-award and monitoring processes to comply with the Uniform Guidance requirements for award closeout. For example, the CDFI Fund designed a SOP that outlines procedural steps for closing out or terminating an award.

### The CDFI Fund Took Steps to Address Impact Study Requirements in Section 525 of the CAA, 2021

On August 19, 2022, the Secretary of the Treasury submitted to Congress the Treasury impact study on pandemic programs report, entitled, *A Report on Progress Implementing Community Development Investment Programs under Division N, Title V, Subtitle B of the Consolidated Appropriations Act, 2021*. CDFI Fund management responded to data requests and questions from Treasury for the impact study; however, the CDFI Fund did not have impact data on CDFI RRP recipients. This was due to the impact report's deadline of June 27, 2022, which was prior to the TLR deadline of June 30, 2022. Additionally, the CDFI Fund did not have the capability to disaggregate TLR data by racial or ethnic groups. This occurred because not all award recipients required race or ethnic data from end-users and borrowers, and some recipients were prohibited from collecting racial and ethnic data. Therefore, Treasury's impact study report focused on other key characteristics of CDFI RRP recipients, such as the geographic location of CDFIs' headquarters, Native CDFI status, and financial institution types. As of January 25, 2023, the CDFI Fund was

---

considering how to disaggregate results of the impact study by ethnic group and Treasury was working on a follow-up impact study report to be released at a later date.<sup>24</sup>

\* \* \* \* \*

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 927-8782 or Sheila Argüello, Audit Manager, at (202) 439-2522. Major contributors to this report are listed in appendix 3. A distribution list for this report is provided as appendix 4.

/s/

Cecilia Howland  
Audit Director, State and Local Fiscal Recovery, RESTORE, and  
CDFI Programs

---

<sup>24</sup> On June 15, 2023, the CDFI Fund released a "Sources Sought Notice" for a multi-year evaluation of the CDFI Fund's CDFI RRP, CDFI ERP, and Treasury's Emergency Capital Investment Program.

## Appendix 1: Objective, Scope, and Methodology

---

Our audit objective was to assess the Community Development Financial Institutions (CDFI) Fund's award process for ensuring the accuracy of the CDFI Rapid Response Program (CDFI RRP) payments and the design of the post-award administration to include recipient monitoring in compliance with applicable laws, regulations, and policies and procedures.

The scope of our audit included, but was not limited to, a review of award documentation; award terms and conditions; post-award policies and procedures; and any performance measurements and reporting to monitor recipient compliance with terms and conditions of awards approved as of June 15, 2021, for 863 CDFI RRP recipients totaling \$1.25 billion.

To accomplish the audit objective, we performed the following procedures:

- Reviewed applicable Federal laws, regulations, and guidance, including:
  - P.L. 116-260, Title V, Subtitle B in Division N of *Consolidated Appropriations Act, 2021* (CAA, 2021), December 27, 2020;
  - P.L. 103-325, *Riegle Community Development and Regulatory Improvement Act of 1994*, September 23, 1994;
  - 12 Code of Federal Regulations (CFR) Part 1805, "Community Development Financial Institutions Program," August 31, 2015;
  - 2 CFR Part 200, Office of Management and Budget (OMB), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), June 13, 2022;
  - U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book), September 2014; and
  - OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," July 15, 2016.

## Appendix 1: Objective, Scope, and Methodology

---

- Reviewed the CDFI Fund’s policies, procedures, and guidelines related to the administration of the CDFI RRP, including:
  - CDFI RRP Notice of Funding Availability (NOFA), February 26, 2021;
  - “Community Development Financial Institutions Rapid Response Program (CDFI RRP) Standard Operating Procedures,” March 24, 2021;
  - “Subsequent Payment Job Aid,” provided on August 26, 2022;
  - “Step 4: CDFI RRP Award Amount Determination Process,” April 19, 2021;
  - “FY 2021 Community Development Financial Institutions Rapid Response Program (CDFI RRP) Assistance Agreement Generation and Distribution Guidance,” provided on September 30, 2022;
  - “Debriefing Report Creation – Internal Process & Logistics Guidance,” June 3, 2021;
  - “CDFI/NACA Program Assistance Agreement & Certificate of Good Standing Review Job Aid and Policies and Procedures,” provided on August 26, 2022;
  - “Job Aid for CDFI Rapid Response Program (CDFI RRP) Program Manager Signing Assistance Agreement,” provided on August 26, 2022;
  - “Community Development Financial Institutions Fund Standard Operating Procedures Monetary Programs – Award Accounting,” provided on February 28, 2023; and
  - “CDFI RRP Frequently Asked Questions (FAQs),” March 10, 2021.
- Reviewed the CDFI Fund’s policies, procedures, and guidelines related to the post-award administration and monitoring of the CDFI RRP, including:
  - “Compliance Monitoring and Evaluation Unit Standard Operating Procedures,” received on July 1, 2022;
  - “Certification, Compliance Monitoring and Evaluation Unit Standard Operating Procedures,” received on July 29, 2022;

## Appendix 1: Objective, Scope, and Methodology

---

- “Compliance Monitoring and Evaluation Unit Site Visit and Desk Review Standard Operating Procedures,” received on July 29, 2022; and
- “Certification, Compliance Monitoring and Evaluation: Annual Certification Report Review Policies and Procedures,” February 14, 2018.
- Reviewed Department of the Treasury (Treasury) Office of Inspector General (OIG) reports and GAO reports, including, but not limited to:
  - Treasury OIG, *Audit of the Community Development Financial Institutions Fund’s Implementation of the CDFI Rapid Response Program*, OIG-22-023 (December 21, 2021);
  - Treasury OIG, *Improvements Are Needed in the CDFI Fund’s Administration of Technical Assistance Awards*, OIG-20-037 (June 12, 2020);
  - Treasury OIG, *Audit of the Community Development Financial Institutions Fund’s Financial Statements for Fiscal Years 2022 and 2021*, OIG-23-006 (November 14, 2022); and
  - GAO, *Community Development Financial Institutions: Analysis of Annual and Emergency Assistance and Treasury Efforts to Address Program Risks*, GAO-23-105952 (December 2022).
- To assess the accuracy of award payments, we selected a statistical sample of 91 CDFI RRP payments to recipients, totaling \$117.03 million, from the population of 968, totaling approximately \$1.18 billion, issued as of August 4, 2022. The sample selection was based on a 90 percent confidence level with a +/- 7 percent precision rate and a 20 percent anticipated error rate. We used a statistical sample instead of a judgmental sample because a statistical sample could be used to project results to the population of 968 payments, whereas the results from a judgmental sample could not be projected to the population. Our testing resulted in 2 exceptions out of the 91 payments related to the CDFI Fund not reviewing payment requests timely. The total of exceptions projected to the population is 21 based on a projected percentage of 2.2 percent.

## Appendix 1: Objective, Scope, and Methodology

---

- Reviewed documentation related to the CDFI Fund’s issuance of CDFI RRP award payments to test for accuracy, including:
  - “Payment Approval Process” flowchart, provided on September 30, 2022;
  - *CDFI RRP Assistance Agreement* (Assistance Agreement) template (updated June 16, 2021);
  - “CDFI RRP Award Sizing Workbook,” provided on September 30, 2022;
  - “CDFI Certification List” as of February 26, 2021, and September 14, 2022;
  - For each selected recipient:
    - First payment request;
    - Second payment request (as applicable);
    - Third payment request (as applicable);
    - Internal review record;
    - Executed Assistance Agreement;
    - Grant application; and
    - Assistance Agreement approval history.
- Selected a non-statistical sample of five CDFI RRP award recipients from a population of 863 recipients to test the design of the CDFI Fund’s post-award administration, to include recipient monitoring, and to ensure compliance with applicable laws, regulations, as well as policies and procedures. The selection was based on the following factors: (1) maximum award amount; (2) high compliance score; (3) high CAMELS<sup>25</sup> rating score; (4) any known Treasury OIG complaint related to misuse of CDFI RRP funds; (5) any known issues with a CDFI RRP award to a recipient; (6) timing of the CDFI Fund’s review; and (7) type of organization (i.e. regulated, unregulated, or Native CDFI). The selection of a non-statistical sample was not for the purpose of projecting results to the population of specific awards or the overall effectiveness of the program.
- Reviewed reporting requirements and other documentation relevant to the post-award administration and monitoring of the CDFI RRP, including:

---

<sup>25</sup> The CAMELS composite rating represents a financial institution’s adequacy of capital, quality of assets, capability of management, quality and level of earnings, adequacy of liquidity, and sensitivity to market risk, and ranges from 1 (strongest) to 5 (weakest).



## Appendix 1: Objective, Scope, and Methodology

---

- Required annual reports outlined in the Assistance Agreement:
  - Financial Statement Audit Report (if applicable);
  - Single Audit Report (if applicable);
  - Performance Progress Report;
  - Transaction Level Report;
  - Uses of Award Report; and
  - Annual Certification Report.
- Annual report submission deadlines outlined in the Assistance Agreement; and
- Performance goals outlined in the Assistance Agreement.
- Reviewed the GAO Green Book to identify the components and principles of internal control that were significant in the context of the audit objective. Specifically, we evaluated the control environment, risk assessment, control activities, and information and communication components; and assessed policies, procedures, and guidance (outlined above) against the following principles:
  - Principle 3: *Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the objectives;*
  - Principle 5: *Management should evaluate performance and hold individuals accountable for their internal control responsibilities;*
  - Principle 7: *Management should identify, analyze, and respond to risks related to achieving the defined objectives;*
  - Principle 8: *Management should consider the potential for fraud when identifying, analyzing, and responding to risks;*
  - Principle 10: *Management should design control activities to achieve objectives and respond to risks;*
  - Principle 11: *Management should design the entity's information system and related control activities to achieve objectives and respond to risks;*
  - Principle 12: *Management should implement control activities through policies;*
  - Principle 13: *Management should use quality information to achieve the entity's objectives;*

## Appendix 1: Objective, Scope, and Methodology

---

- Principle 14: *Management should internally communicate the necessary quality information to achieve the entity's objectives; and*
- Principle 15: *Management should externally communicate the necessary quality information to achieve the entity's objectives.*
- We assessed the reliability of CDFI RRP payment data by: (1) performing electronic testing of selected data elements for accuracy and completeness; (2) reviewing existing information about the payment data and systems that store the data; and (3) obtaining written statements from the CDFI Fund officials knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this audit.
- Performed walkthroughs of the CDFI Fund's Awards Management Information System to gain an understanding of the CDFI Fund's award process and post-award administration and monitoring process related to CDFI RRP. Additionally, we performed a walkthrough to test the design of the CDFI Fund's post-award administration and monitoring for the five non-statistically sampled award recipients in the Awards Management Information System.
- Interviewed key CDFI Fund personnel responsible for the award and post-award administration of the CDFI RRP including:
  - Deputy Director for Policy and Programs;
  - Deputy Director for Finance and Operations;
  - CDFI & Native American CDFI Assistance Program & CDFI RRP Program Managers;
  - Acting Manager for Financial Strategies and Research;
  - Program Manager for the Office of Compliance Monitoring and Evaluation;
  - Program Manager for the Office of Certification Policy and Evaluation;
  - Financial Management Manager;
  - Senior Accountant; and
  - Legal Counsel.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate

## Appendix 1: Objective, Scope, and Methodology

---

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix 2: Management Response

---



COMMUNITY DEVELOPMENT  
FINANCIAL INSTITUTIONS FUND

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

September 7, 2023

Ms. Cecilia K. Howland  
Audit Director, State and Local Fiscal Recovery, RESTORE, and CDFI Programs  
Office of the Inspector General  
U.S. Department of the Treasury  
1500 Pennsylvania Ave., N. W.  
Washington, D.C. 20220

RE: CDFI Fund Management Response to Recommendation in the Audit of the Community  
Development Financial Institutions Fund's Award and Post-Award Administration of the CDFI  
Rapid Response Program

Dear Ms. Howland,

At your request, below is the Community Development Financial Institutions Fund's (CDFI Fund) response to the recommendation in the *Audit of the Community Development Financial Institutions Fund's Award and Post-Award Administration of the CDFI Rapid Response Program*.

**OIG Recommendation**

None

**Management Response**

The CDFI Fund appreciates the work of your staff, and the opportunity to review and provide a response to the report. If you have any questions, please contact Dietrich Douglas at 202-925-1420 or [douglasd@cdfi.treas.gov](mailto:douglasd@cdfi.treas.gov).

Sincerely,



Marcia Sigal  
Acting Director  
CDFI Fund

## **Appendix 3: Major Contributors to This Report**

---

Sheila Argüello, Audit Manager  
Alexis Satterwhite, Auditor-in-Charge  
Clint Hoellrigl, Auditor  
Charles Holmes, Auditor  
Raymond Brooks II, Referencer

## **Appendix 4: Report Distribution**

---

### **Department of the Treasury**

Secretary  
Deputy Secretary  
Under Secretary for Domestic Finance  
Assistant Secretary for Financial Institutions  
Deputy Assistant Secretary for Community and Economic  
Development  
Acting Chief Recovery Officer  
Office of Strategic Planning and Performance Management  
Office of the Deputy Chief Financial Officer, Risk and Control  
Group

### **Community Development Financial Institutions Fund**

Acting Director  
Acting Deputy Director of Policy and Programs  
Deputy Director of Finance and Operations  
Legal Counsel

### **Office of Management and Budget**

OIG Budget Examiner

### **U.S. Senate**

Chairman and Ranking Member  
Committee on Banking, Housing, and Urban Affairs

### **U.S. House of Representative**

Chairman and Ranking Member  
Committee on Financial Services

**This Page Intentionally Left Blank**



## **REPORT WASTE, FRAUD, AND ABUSE**

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: <https://oig.treasury.gov/report-fraud-waste-and-abuse>

## **TREASURY OIG WEBSITE**

Access Treasury OIG reports and other information online: <https://oig.treasury.gov/>