



U.S. Department of Agriculture  
Office of Inspector General





## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** March 13, 2025

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**FROM:** Steve Rickrode  
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**SUBJECT:** Prior OIG Engagements Relevant to Rural Development's Disaster Relief Supplemental Appropriations Funding Provided under the American Relief Act, 2025.

The American Relief Act, 2025, Pub. L. No. 118-158, signed on December 21, 2024, provided more than \$39.8 billion to the USDA to carry out projects and activities related to agricultural disaster assistance. Of this amount, the Act provided \$362.5 million to the Rural Development Disaster Assistance Fund, for Rural Development (RD) to provide loans, grants, loan guarantees, or cooperative agreements for authorized activities in areas affected by a disaster.

- *Single Family Housing Programs:* Gives families and individuals the opportunity to buy, build, or repair affordable homes located in rural America following a disaster.
- *Multifamily Housing:* Assists rural property owners through loans, loan guarantees, and grants that enable owners to develop and rehabilitate properties for low-income, elderly, disabled individuals and families as well as domestic farm laborers following a disaster.
- *Community Facilities Programs:* Offer direct loans, loan guarantees and grants to develop or improve essential public services and facilities in communities across rural America.
- *Rural Utilities Service Water and Environmental Programs:* Provides assistance through the Circuit Rider Program or the use of Emergency Community Water Assistance Grants to recover drinking water and waste disposal systems damaged during a disaster.

- *Disaster Assistance Business Programs*: Partner with the U.S. Small Business Administration to provide financial backing and technical assistance to stimulate business creation and growth following a disaster.

As part of the Office of Inspector General’s (OIG) oversight responsibility, we reviewed the results of prior OIG and Government Accountability Office (GAO) engagements that were relevant to the supplemental disaster funding provided by the American Relief Act, 2025.<sup>1</sup> We identified areas with reported past weaknesses and recommendations that may provide RD insight when disbursing funds allotted by the American Relief Act, 2025. These results will help RD design new programs and determine whether to maintain or further strengthen controls of existing programs that receive the supplemental disaster funding. By maintaining strong controls, agencies are better suited to provide the supplemental funds to those most impacted by disasters, while helping reduce or prevent potential fraud, waste, and abuse.

Based on our review, we identified the following findings and recommendations that RD may consider to help ensure its activities and programs operate effectively with the proper control environment. These engagements are listed in chronological order (most recent first). According to information maintained by the Office of the Chief Financial Officer (OCFO), as of March 7, 2025, some of the recommendations associated with these prior engagements have not yet been implemented. These outstanding recommendations are noted as applicable.

## Relevant OIG Reports

### *Rural Business-Cooperative Service*

- *Meat and Poultry Processing Expansion Program – Oversight of Grant Recipients’ Use of Funds*:<sup>2</sup> OIG reported that the Rural Business Service (RBS) did not design and implement an effective internal control system over the Meat and Poultry Processing Expansion Program (MPPEP) Phase I post-award process to ensure grantees used funds as required. Specifically, RBS did not design control activities to ensure compliance with annual onsite reviews and approval of pre-award expenses. As a result, there is reduced assurance that MPPEP grantees properly expended funds in accordance with Federal and program requirements, resulting in more than \$208 million in questioned costs.

OIG recommended that RBS develop, implement, and document key internal control activities to ensure RBS: (1) conducts and documents the results of annual onsite reviews to ensure grantees follow required regulations; and (2) approves reimbursement requests for grantees who requested reimbursement for expenses prior to the date the Financial Assistance Agreement was executed. According to OCFO, as of March 7, 2025, the two recommendations remain open.

- *Controls Over the Meat and Poultry Processing Expansion Program Award Process (Phase I)*:<sup>3</sup> OIG reported that RBS did not develop, document, and implement an

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<sup>1</sup> We included in our review recent related engagements with recommendations tracked by the Office of the Chief Financial Officer.

<sup>2</sup> Inspection Report 34801-0001-21, *Meat and Poultry Processing Expansion Program – Oversight of Grant Recipients’ Use of Funds*, Dec. 2024.

<sup>3</sup> Audit Report 34601-0001-21, *Controls Over the Meat and Poultry Processing Expansion Program Award Process (Phase I)*, Mar. 2024.

effective internal control system over MPPEP’s Phase I pre-award process to ensure applications were consistently reviewed and evaluated against the established criteria. As a result, there was reduced assurance that applicants selected for MPPEP awards were the most meritorious.

OIG recommended RBS develop an internal control system that meets the requirements for an internal control system as outlined in *GAO’s Standards for Internal Control in the Federal Government*. The guide could also include a risk assessment template that RBS could implement to quickly assess risk and key internal control activities the agency identified as necessary to effectively oversee the selection and awarding of grant funds. According to OCFO, as of March 7, 2025, the two recommendations remain open.

### **Rural Housing Service**

- **Single Family Housing Guaranteed Loan Program Appraisals:**<sup>4</sup> OIG reported that the Rural Housing Service (RHS) had controls in place to assess whether appraisals met agency and Uniform Standards of Professional Appraisal Practice (USPAP) requirements prior to guaranteeing a Single Family Housing Guaranteed Loan Program (SFHGLP) loan. However, we determined that additional controls were needed to enhance the quality of appraisals the agency receives. We assessed 44 administrative appraisal reviews and found 22 (50 percent) reviews in which administrative reviewers selected inaccurate or questionable responses for appraisal reviews and/or did not complete the appropriate version of the form. Additionally, we found that RHS issued four conditional commitments for over \$814,000 in SFHGLP loan guarantees for properties that did not have SFHGLP-compliant appraisals. We also found that RHS did not effectively communicate the results of its pre-closing technical appraisal reviews and quality control reviews (QCRs) to help ensure RHS receives SFHGLP-compliant appraisal reports. As a result, RHS may risk accepting appraisals that may not be suitable for the agency’s use and issuing conditional commitments for those properties.

OIG recommended that RHS develop and implement: (1) an oversight function for administrative appraisal reviews; (2) additional controls for pre-closing technical appraisal reviews; (3) a formal process to identify common deficiencies found during technical appraisal reviews; and (4) processes to communicate deficiencies found during technical appraisal reviews. According to OCFO, as of March 7, 2025, RHS implemented the five recommendations.

- **Multi-Family Housing Tenant Eligibility:**<sup>5</sup> OIG reported that 11 of 100 selected Multi-Family Housing (MFH) tenant certification files from the selected States contained either inadequate documentation, errors in calculations, or both. As a result, we could not confirm the eligibility of two tenants and, based on our statistical sample, estimated that approximately 74,652 tenants received a total of approximately \$26.9 million in inaccurate rental assistance. We also found that RHS did not complete triennial supervisory reviews timely for 1,503 out of 14,388 properties—38 properties went 10 years without review—due to issues with the reports State offices were using to track the reviews. Finally, we found that out of 624,424 total MFH tenants, records for 5,585

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<sup>4</sup> Audit Report 04601-0001-41, *Single Family Housing Guaranteed Loan Program Appraisals*, June 2020.

<sup>5</sup> Audit Report 04601-0003-31, *Multi-Family Housing Tenant Eligibility*, Feb. 2020.

tenants had data quality issues related to identifying information for the heads of household. Erroneous data could impair the agency’s efforts to verify tenant eligibility and implement recently authorized wage matching capabilities.

OIG recommended RHS improve its training for documentation requirements and best practices for document transfers during management company changes. It also needed to improve supervisory review tracking and ensure past due reviews were completed. Additionally, the agency better ensure tenant identification information was accurate. Finally, we recommended RHS recover unauthorized assistance and address other errors we identified. According to OCFO, as of March 7, 2025, RHS implemented the ten recommendations.

### **Rural Utilities Service**

- [Rural eConnectivity Pilot Program \(ReConnect Program\) – Award Process](#):<sup>6</sup> OIG reported that the Rural Utilities Service’s (RUS) mapping tool had a systemic programming error that caused the number of households without sufficient access to broadband to be overstated for some applications. Specifically, when an applicant adjusted or redrew their Proposed Funded Service Area (PFSA), the programming error allowed multiple underserved areas to be drawn on top of each other and allowed the system to count households without sufficient access to broadband more than once. As a result, we questioned two approved applications, valued at more than \$17.8 million, in which the number of households without sufficient access to broadband in a PFSA was larger than the total number of households in the PFSA.

OIG recommended that RUS: (1) implement a process to test mapping software to ensure that the software programming error found does not exist in new systems; and (2) review and confirm the percentage of households without access to broadband was within the eligibility parameters for approved applications in ReConnect Program Round 1, Round 2, and the CARES Act to ensure that only eligible projects received ReConnect Program funding. According to OCFO, as of March 7, 2025, RHS implemented the two recommendations.

### **Related GAO Reports**

We also noted the following GAO report that RD may want to consider, which includes information relevant to the funding provided by the American Relief Act, 2025:

- [High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness](#).<sup>7</sup>

This memorandum contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>).

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<sup>6</sup> Audit Report 09601-0001-23, *Rural eConnectivity Pilot Program (ReConnect Program) – Award Process*, July 2023.

<sup>7</sup> GAO-25-107743, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, Feb. 2025.

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