



Rural Development's Prioritization of Direct Loans and Grants for Facilities Providing Substance Use Disorder Services



Audit Report 04601-0001-24

March 2022

Rural Development's Prioritization of Direct Loans and Grants for Facilities Providing Substance Use Disorder Services

Audit Report 04601-0001-24

We reviewed the process RD used to prioritize loans and grants for substance use disorder facilities.

OBJECTIVE

Our objective was to determine if RD prioritized direct loans and grants for eligible facilities providing substance use disorder services.

REVIEWED

We reviewed the Community Facilities Direct Loan and Grant Program regulations, RD guidance between fiscal years (FY) 2019 and 2021 covering the substance use disorder priority, and applications submitted for the Community Facilities Direct Loan and Grant Program between FY 2019 and FY 2021.

WHAT OIG FOUND

The Office of Inspector General (OIG) found that Rural Development (RD) prioritized the substance use disorder facilities requirement from the Agriculture Improvement Act of 2018. RD prioritized the requirement by issuing guidance that authorized State Directors to add an additional 15 points to loan or grant applications and authorized the Rural Housing Service Administrator to add an additional 15 points to loan applications and 30 points to grant applications requesting funding under the purview of substance use disorder facilities. RD also tracked applications that requested substance use disorder priority through the project's name. Personnel tracked applications by including identifiers for "Substance Use Disorder" or "Substance Misuse Disorder" in the project's name in RD's grant processing system. Because RD prioritized the substance use disorder facilities requirement, we are not making any recommendations in this report.

RECOMMENDS

We are not making any recommendations.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: March 30, 2022

AUDIT

NUMBER: 04601-0001-24

TO: Joaquin Altoro
Administrator
Rural Housing Service

ATTN: Angilla Denton
Chief Risk Officer
Office of the Chief Risk Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Rural Development's Prioritization of Direct Loans and Grants for Facilities Providing Substance Use Disorder Services

This report presents the results of the subject review. We are not making any recommendations in this report. No further action by your staff is required.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

Table of Contents

Background and Objectives	1
Section 1: CF Direct Loan and Grant Program for Substance Use Disorder Services.....	3
Scope and Methodology.....	5
Abbreviations	6

Background and Objectives

Background

The United States Department of Agriculture’s (USDA) Rural Development (RD) helps improve the economy and quality of life in rural America by providing various financial programs. The Rural Housing Service (RHS), an agency within RD, offers a variety of programs to build or improve housing and essential community facilities in rural areas. RHS offers loans, grants, and loan guarantees for single- and multi-family housing, child care centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, housing for farm laborers, and more. One such program that RHS administers is the Community Facilities (CF) Direct Loan and Grant Program.

The CF Direct Loan and Grant Program provides affordable funding to develop essential community facilities in rural areas, such as cities, villages, townships, and towns—including Federally Recognized Tribal Lands—with no more than 20,000 residents. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial, or business undertakings. Examples of essential community facilities include:

- Healthcare facilities, such as hospitals, medical clinics, dental clinics, nursing homes, or assisted living facilities.
- Public facilities, such as town halls, courthouses, airport hangars, or street improvements.
- Community support services, such as childcare centers, community centers, fairgrounds, or transitional housing.
- Public safety services, such as fire departments, police stations, prisons, police vehicles, fire trucks, public works vehicles, or equipment.
- Educational services, such as museums, libraries, or private schools.
- Utility services, such as telemedicine or distance learning equipment.
- Local food systems, such as community gardens, food pantries, community kitchens, food banks, food hubs, or greenhouses.

Projects that are eligible for the CF Direct Loan and Grant Program include projects that provide physical facilities¹ that offer an innovative component, such as a unique collaboration between different organizations or levels of government. Funds from the CF Direct Loan and Grant Program can also be used to purchase, construct, and/or improve essential community facilities; purchase equipment; and pay related project expenses.

The CF Direct Loan and Grant Program uses a scaled scoring system that allows RD to prioritize loans and grants to smaller, more rural communities with the lowest median household incomes: applications located in areas with higher populations and higher median incomes receive lower scores than applications located in areas with lower populations and lower median incomes,

¹ Physical facilities include buildings, vehicles, or other equipment.

meaning they are less likely to get funded. The Agriculture Improvement Act of 2018 (2018 Farm Bill)² directed RD to use the CF Direct Loan and Grant Program to prioritize the development of facilities that provide services for substance use disorder.³ This includes services involving prevention, treatment, recovery, or any combination of these services for substance use disorder, including opioid⁴ substance use disorder. In total, Congress appropriated \$8.4 billion for direct loans, as well as over \$168 million in grants, for fiscal years (FY) 2019–2021 for the CF Direct Loan and Grant Program. RHS received 6,679 pre-applications and applications and obligated over \$3.7 billion in the CF Direct Loan and Grant Program for FYs 2019–2021.

Objectives

Our objective was to determine if RD prioritized direct loans and grants for eligible facilities providing substance use disorder services.

We did not identify any issues related to this objective. We found that RD prioritized direct loans and grants for eligible facilities providing substance use disorder services. Please see the next section of the report for a more detailed explanation.

² Agriculture Improvement Act of 2018, Pub. L. No. 115-334, 132 Stat. 4490 (2018 Farm Bill).

³ Agriculture Improvement Act of 2018, Pub. L. No. 115-334, tit. VI, subtit. A, 132 Stat. 4726, 6101.

⁴ According to the Centers for Disease Control and Prevention, this class of drugs includes the illegal drug heroin; synthetic opioids, such as fentanyl; and pain medications available legally by prescription, such as oxycodone, hydrocodone, morphine, and many others.

Section 1: CF Direct Loan and Grant Program for Substance Use Disorder Services

RD prioritized funding for CF Direct Loan and Grant Program substance use disorder services, as required by the 2018 Farm Bill. RD issued guidance⁵ that authorized State Directors and the RHS Administrator to add additional points to the CF Direct Loan and Grant Program loan and grant applications that requested funding for eligible facilities providing substance use disorder services. These additional points increased the likelihood that these applications would have a greater chance at receiving program funding.⁶ RD released guidance to implement CF Direct Loan and Grant Program priorities two months after Congress passed the 2018 Farm Bill.⁷ This guidance included a project selection process that authorized State Directors and the RHS Administrator to add additional points to applications requesting funding for facilities providing substance use disorder services. Specifically, the guidance authorized State Directors to add up to 15 additional points to loan or grant applications, and authorized the RHS Administrator to add up to 15 additional points to loan applications and up to 30 additional points to grant applications.^{8, 9, 10} The points system RD used for the CF Direct Loan and Grant Program allowed higher-scoring applications the first opportunity to receive program funding; by authorizing additional points to applications, RD increased the likelihood that they would receive funding. RD officials stated that the agency plans on including the point structure in its regulations.

In addition to the points system described above, RD's State and national office personnel tracked applications that requested the substance use disorder priority through the project's name. To track applications, personnel included identifiers, such as "Substance Use Disorder" or "Substance Misuse Disorder," in RD's Commercial Program Application Processing system.^{11, 12} This tracking system allowed RD to quickly identify applications that requested funding under the substance use disorder priority.

Finally, the amount of funding appropriated to RD added assurance that all applicants requesting substance use disorder priority had the opportunity to receive funding. As of December 13, 2021, there was more funding available for the program than applicants had requested; therefore, RD did not have to reject applications because of a lack of available

⁵ RD used unnumbered letters as internal guidance to issue general information to USDA personnel.

⁶ When reviewing applications, RD considered factors, such as geographic location, in addition to the application's stated objective.

⁷ The unnumbered letter issued in February 2019 is similar to the guidance issued in FY 2021. RD was unable to locate the FY 2020 unnumbered letter provided to RD personnel.

⁸ Unnumbered Letter, RD Priorities FY19 CF Direct Loan and Grant, Feb. 11, 2019.

⁹ The maximum number of points is 85 for direct loan applications and 90 for grant applications prior to the State Director and Administrator reviews.

¹⁰ These additional points could be awarded for factors such as geographic distribution of funds and emergency conditions caused by economic programs, natural disasters, or leveraging of funds.

¹¹ In order to identify substance use disorder projects in the agency's information system, RD included the prefix "2019 SUD" in the project name for projects in FY 2019, and the prefix "XXXX SMD" in the project name for projects occurring in FY 2020 and FY 2021.

¹² CPAP is an RD information management system the agency used to process CF Direct Loan and Grant Program applications.

funding. For example, Congress appropriated RD over \$8.5 billion for CF loans and grants between FY 2019 and FY 2021. However, as of December 13, 2021, RD had only obligated \$3.7 billion out of the available funding to a total of 6,679 applicants—leaving approximately \$4.8 billion in funding available to issue to CF Direct Loan and Grant Program applicants. The \$3.7 billion already obligated included \$91.7 million that RD obligated for applications relating to the substance use disorder priority.

Based on the details above, we determined that RD has a process in place for prioritizing CF direct loans and grants for eligible facilities providing substance use disorder services. RD accomplished this by issuing annual guidance that included instructions for prioritizing applications for substance use facilities. We did not identify any findings and are not making any recommendations. Therefore, no further action or response is required by RD.

Scope and Methodology

We conducted an audit of RD’s FY 2019–2021 CF Direct Loan and Grant Program prioritization process for substance use disorder facilities. We performed this audit remotely between September 2021 and January 2022. We obtained a list of CF Direct Loan and Grant Program applications, as of December 13, 2021. We did not review a sample of the submitted applications since RD had more funding available than applicants requested. To accomplish our objectives, we:

- Interviewed RD personnel.
- Reviewed guidance documents related to the implementation of the 2018 Farm Bill.
- Reviewed 7 Code of Federal Regulations (C.F.R.) 1942 for CF direct loans and 7 C.F.R. 3570 for CF grants, appropriations bills, and 7 United States Code 1926.
- Reviewed the total number of applications received for all CF programs. We reviewed the unique identifiers in the application spreadsheet to determine if RD prioritized substance use disorder applications.

We assessed internal controls significant to the audit objectives. Specifically, we assessed:

Component	Principle
Information and Communication	Management should use quality information to achieve the entity’s objectives.
Control Activities	Management should design control activities to achieve objectives and respond to risks.

Because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. During the course of our audit, we did not verify information from any of USDA’s electronic information systems, and make no representation regarding the adequacy of any agency’s computer system or the information generated from it.

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 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.

Abbreviations

CF.....	Community Facilities
C.F.R.....	Code of Federal Regulations
FY.....	fiscal year
OIG	Office of Inspector General
RD.....	Rural Development
RHS.....	Rural Housing Service
USDA.....	United States Department of Agriculture

Learn more about USDA OIG

Visit our website: www.usda.gov/oig/index.htm

Follow us on Twitter: @OIGUSDA

How to Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse

File complaint online: www.usda.gov/oig/hotline.htm

Monday–Friday, 9:00 a.m.– 3:00 p.m. ET

In Washington, DC 202-690-1622

Outside DC 800-424-9121

TDD (Call Collect) 202-690-1202

Bribes or Gratuities

202-720-7257 (24 hours)

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal

Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.

All photographs on the front and back covers are from USDA's Flickr site and are in the public domain. They do not depict any particular audit or investigation.