



Rural Development's National Drug Control Program Compliance Review for Fiscal Year 2022

Audit Report 85301-0001-11

OIG reviewed Rural Development's assertions related to the Budget Formulation Compliance and Detailed Accounting reports for the fiscal year ended September 30, 2022.

OBJECTIVE

Our objective was to determine if each assertion in RD's Budget Formulation Compliance Report and Detailed Accounting Report for FY 2022 is reliable.

WHAT OIG FOUND

The Office of Inspector General (OIG) concluded Rural Development's (RD) Budget Formulation Compliance Report, Detailed Accounting Report, and the related management assertions for the fiscal year (FY) ended September 30, 2022, are not in accordance with the Office of National Drug Control Policy's Circular, National Drug Control Program Agency Compliance Reviews, dated September 9, 2021.

REVIEWED

The OIG performed an attestation review in accordance with the standards applicable to attestation engagements contained in Government Auditing Standards. We performed inquiries of management; and reviewed and evaluated management's reports.

RECOMMENDS

No recommendations were made in this report.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: September 7, 2023

ATTESTATION

NUMBER: 85301-0001-11

TO: Tony Bainbridge
Chief Financial Officer
Rural Development

ATTN: Jeff Macheliski
Associate Chief Financial Officer
Rural Development

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: Rural Development's National Drug Control Program Compliance Review for
Fiscal Year 2022

This report presents the results of the subject attestation. Your written response to the official draft is included in its entirety at the end of the report.

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 (<https://usdaoig.oversight.gov>) in the near future.

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Independent Review Report

Tony Bainbridge
Chief Financial Officer
for Rural Development

The United States (U.S.) Department of Agriculture's Office of Inspector General (OIG) reviewed Rural Development's (RD) Budget Formulation Compliance Report and the Detailed Accounting Report, as required by the Office of National Drug Control Policy's (ONDCP) Circular, *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021 (hereinafter referred to as the Circular), for the fiscal year (FY) ended September 30, 2022. RD is responsible for preparing the reports and assertions in accordance with the Circular. Our responsibility is to express a conclusion on RD's assertions based on our review.

Our review was conducted in accordance with standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform this engagement to obtain limited assurance about whether any material modifications should be made to the Budget Formulation Compliance Report, the Detailed Accounting Report, and management's assertions for them to be in accordance with the criteria.

The procedures performed in a review vary in nature and timing from, and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether management's reports and assertions are in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement. We performed procedures based on our professional judgment that consisted primarily of analytical procedures and inquiries.

RD did not include a copy of the funding table submitted to ONDCP as part of the budget formulation. The Circular requires a copy of the funding table to be included in the Budget Formulation Compliance Report. Had RD properly included the funding table, elements of the Budget Formulation Compliance Report would have been materially affected. The effects on the Budget Formulation Compliance report have not been determined.

RD did not include a table with the drug control budget authority appropriated or otherwise available. In addition, RD inaccurately reported obligations for FY 2021 in the Detailed Accounting Report. The Circular requires RD to include a table displaying (1) all drug control budget authority appropriated or otherwise available and (2) obligations against that budget authority for the most recently completed FY. Based on our review, while RD accurately reported the obligations against the budget authority for the FY ended September 30, 2022, RD overstated FY 2021 obligations by \$9.9 million.¹

Further, in the Detailed Accounting Report, RD asserted that in addition to obligations against the drug control funding it receives in the Distance Learning and Telemedicine Grant program set aside by the 2018 Farm Bill,² it reported obligations that fund substance-use disorder projects from other RD programs. The Circular requires the agency to (1) include a detailed description of the methodology used by the agency to calculate drug control funding levels by decision unit and function as presented in the table of prior year drug control obligations and (2) assert that the methodology described was the actual methodology used to generate the table of prior year drug control obligations by decision unit and drug control function. Based on our review, we found that RD's description of its methodology, and assertions regarding its methodology, were partially accurate as RD only included obligations against the drug control funding it received in the Distance Learning and Telemedicine Grant program set-aside.

Had RD properly included the table of drug control budget authority appropriated, reported the FY 2021 obligations, and accurately described the methodology used to calculate drug control funding levels by decision unit and function, elements of the Detailed Accounting report would have been materially affected. The effects on the Detailed Accounting Report have not been determined.

Based on our review, because of the significance of the matters described in the preceding paragraphs, the Budget Formulation Compliance Report, the Detailed Accounting Report, and the related management assertions for the year ended September 30, 2022, are not in accordance with the Circular. Had we been engaged to perform an examination, other matters might have come to our attention.

To facilitate future reporting to the ONDCP, RD should consider implementing operational improvements such as a checklist to ensure all information required by the Circular, as amended, is included accurately in the Budget Formulation Compliance Report, Detailed Accounting Report, and the related assertions.

¹ While the Circular requires agencies to report obligations against drug control budget authority for the prior fiscal year, RD reported the obligations for fiscal years 2021 and 2022.

² Pub. L. 115-334, Agriculture Improvement Act of 2018.

The purpose of this report is to authenticate the detailed accounting of all funds expended by RD for National Drug Control Program activities during the FY ended September 30, 2022, as required by the Circular and is not suitable for any other purpose. This report is intended solely for the information and use of RD, the ONDCP, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than the specified parties.



Janet Sorensen
Assistant Inspector General for Audit
Office of the Inspector General
Washington, D.C
August 23, 2023

Abbreviations

FY	Fiscal Year
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
RD	Rural Development
the Circular.....	ONDCP Circular, <i>National Drug Control Program Agency Compliance Reviews</i> , dated September 9, 2021
U.S.	United States of America

**Rural Development's
Response to Attestation Report**



Rural Development
Business Center

Date August 30, 2023

Finance Office

TO: Steven Rickrode
Deputy Assistant Inspector General for Audit
U.S. Department of Agriculture, Office of Inspector General
1400 Independence Avenue SW, Room 403-E
Washington, DC 20250

Office of Budget and
Policy

1400 Independence
Ave, SW
Room 5011-S
Washington, DC 20250

FROM: Tony Bainbridge
Chief Financial Officer

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Jeffrey Machelski
Associate Chief Financial Officer
Rural Development

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SUBJECT: Response to Report on RD's National Drug Control Program
Compliance Review, 85301-0001-11

We reviewed the Office of Inspector General Report on Rural Development's National Drug Control Policy Compliance Review For Fiscal Year 2022 (Engagement Number 85301-0001-11) and Summary of Uncorrected Misstatements and concur with the findings. Although the Report did not include any recommendations, we will continue with actions planned to ensure compliance with the Office of National Drug Control Policy (ONDCP) requirements, including but not limited to sharing with OIG drafts of future submissions to ONDCP to ensure compliance with any updates to the ONDCP requirements.

We thank your office for its continuing professionalism in conducting the audit.

Exhibit B: Budget Formulation Compliance Report and Detailed Accounting Report

**Rural Development's
FY 2022 Budget Formulation Compliance Report
and Detailed Accounting Report**

Prepared by Rural Development

ONDCP Assertions

Budget Formulation Compliance Report: Assertions

Timeliness of Summer Budget Submission – The FY 2024 agency request was submitted to the Office of Budget and Program Analysis at USDA on August 30, 2022, and USDA submitted to ONDCP on September 13, 2022. The 2024 Rural Development Budget and Performance submission requested funding to support this effort in the 2024 President’s budget. Rural Development affirms the accuracy of the information contained in the submission.

Funding Levels Represent Bureau-Level Request – The funding request in this represents the funding levels by unit in the budget submission made by the agency to the Department without alteration or adjustment by any official at the Department.

Jeffrey S. Machelski
Associate CFO – Budget and Policy

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Detailed Accounting Report: Assertions

- (1) Obligations by Budget Decision Unit** – The account information has been collected through the Rural Development Financial system. The FY 2018 Farm Bill (FB) requires the Secretary to set aside at least 20 percent from the discretionary appropriations for the Distance Learning and Telemedicine (DLT) grant account funding for substance use disorder, unless the Secretary determines there are not sufficient qualified applicants to reach the 20 percent requirement. To ensure compliance, the required funding is set aside in the RD financial system. Other than the DLT funding, Rural Development did not receive any direct funding for this purpose in the 2022 annual appropriations. However, Rural Development also reports obligations for additional Rural Development financial assistance programs that are identified either by Type of Assistance (TOA) codes or by North America Industry Classification System (NAICS) codes identified by the program staff as part of the obligation.
- (2) Drug Methodology** – The drug methodology agreed with ONDCP was applied. The FB requires the Secretary to use 20 percent of the funding provided for the Distance Learning and Telemedicine program to support substance use disorder treatment services, unless it is determined there are not sufficient qualified applicants to reach the 20 percent requirement. In addition, the FB authorized prioritizing the selection of projects for Community Facilities direct loans or grants that will allow states, counties, tribes, and other applicants to prevent and treat opioid abuse and to support people in recovery. The FB provides authority for setting priority points for Community Facilities direct loans or grants to applicants who intend to provide substance use disorder prevention services, treatment services, and/or recovery services with their projects and employ staff that have appropriate expertise

ONDCP Assertions

and training in how to identify and treat individuals with substance use disorders. Projects that support substance use disorder prevention, treatment, or recovery may be eligible for other Rural Development financial assistance programs.

- (a) **Data** – The funding set aside made available by the 2018 FB is managed in the accounting system by using funding codes that the program staff uses when obligating funding. The methodology described is based on these funding codes defining the nature of the funding set aside and the obligations incurred against it. Rural Development obligation data also recognizes that other programs may fund projects related to substance use disorder and includes that data through the use of TOA codes and NAICS codes associated with the obligations.
- (b) **Financial Systems** – The methodology described above describes the relationship of decision units reported to ONDCP and the programs/activities as reported in the financial system. The data represent the obligations related to the 2018 FB 20 percent set aside along with any other projects funded by other Rural Development programs as identified by TOA codes and NAICS codes associated with the obligations.
- (3) **Application of Drug Methodology**- The drug methodology disclosed in Section 7.a.(2) was the actual methodology used to generate the table required by section 7.a.(1). Calculations are well documented to independently reproduce these data. Also, calculations provide a means to ensure consistency of data between reporting years.
- (4) **Material Weaknesses or Other Findings** – There are no material weakness or other findings. Rural Development has not completed A-123 or internal compliance review on this specific program, but the budget and obligations would be included in the overall testing of the budget authority and obligations if the program(s) were sampled.
- (5) **Methodology Modifications** – There was not modification of the methodology from prior year.
- (6) **Reprogramming or Transfers** – There were no reprogramming or transfers affecting the 2018 FB 20 percent set-aside funding.
- (7) **Fund Control Notices:** RD believes that the data presented are associated with obligations against a financial plan that complies with all Fund Control Notices issued by the Director under 21 U.S.C. §1703(f) and Section 9 of the ONDCP Circular, Budget Execution. The funding estimates and expenditures are consistent with the approved drug methodology and budget formulation.

Jeffrey S. Machelski
Associate CFO – Budget and Policy

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ONDCP Assertions

Performance Summary Report: Assertions

- (1) **Performance reporting system is appropriate and applied** – Rural Development uses its financial system for reporting obligations. Information regarding the number of grants provided as they related to the drug control efforts is based on agency GPRMA documents and other information that measure the agency’s contribution to the *Strategy*. Fiscal year 2018 was the first year that Rural Development received appropriations with a set-aside in support of the Opioids crisis, and that was only for the Distance Learning and Telemedicine (DLT) grant program. RD has not developed performance measures specifically for drug control efforts. Targets are set based on the estimated number of projects that could be funded with the 2018 FB 20 percent set-aside for the DLT program based on the prior year appropriation and the estimated available funding for the upcoming year.

- (2) **Explanations for not meeting performance targets are reasonable** – RD did not meet the target for the Distance Learning and telemedicine (DLT) program, the only RD program with a statutory set aside for substance use disorder.

- (3) **Methodology to establish performance targets is reasonable and consistently applied** – Setting the target is consistently applied for the DLT program.

- (4) **Adequate performance measures exist for all significant drug control activities:** The DLT program is RD’s only program with a statutory set aside to support this effort. Targets are established based on prior set-aside obligations and anticipated funding availability. The 2018 FB established the statutory set aside in support of substance use disorder of 20 percent of the discretionary funding made available for the DLT program through the annual appropriations. Beyond those funds the annual appropriations have not provided direct funding for this effort, but RD includes in its reporting projects from other programs and appropriations that would support these efforts.

Jeffrey S. Machelski
Associate CFO – Budget and Policy

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ONDCP Assertions

	Budget Authority (Dollars in Millions)	
	FY 2021 Actual	FY 2022 Actual
Drug Resources by Function		
Treatment	\$21.30	\$0.23
Total Drug Resources by Function	\$21.30	\$0.23
Drug Resources by Decision Unit		
Distance Learning and Telemedicine Program	\$21.30	\$0.23
Total Drug Resources by Decision Unit	\$21.30	\$0.23

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