



# Review of a Utility Company's Use of RUS Financial Assistance

Audit Report 09703-0002-22

## What Were OIG's

### Objectives

The objective of this audit was to determine if a utility company complied with program requirements.

### What OIG Reviewed

We reviewed how a utility company used loan and grant funds during a specified time period.

### What OIG Recommends

We recommended that RUS de-obligate funding from and not provide additional funding to the company until all prior agreed to conditions are met. Additionally, RUS needs to strengthen its internal controls to provide reasonable assurance for detecting and correcting the issues we identified.

## OIG reviewed the use of loan and grant funds by a Rural Utilities Service Water and Waste Disposal program participant.

### What OIG Found

In response to hotline complaints about a utility company, the Department of Agriculture (USDA) Office of Inspector General (OIG) reviewed how the company used funding provided through the Rural Utility Service's (RUS) Water and Waste Disposal (WWD) Direct Loan and Grant Program.

Generally, we found that the support for the sample of expenditures for the two projects we reviewed was reasonable, and that the company followed proper procedures for awarding construction contracts. However, we found the company violated program requirements with regards to fiscal responsibility which resulted in our questioning of more than \$38 million in funding the borrower had received for recent projects. Further, we found that RUS' oversight was not sufficient to identify the issues the audit disclosed.

RUS agreed with our findings and we have accepted management decision on all of the report recommendations. This includes an agreement by RUS to de-obligate more than \$11 million in unused loan and grant funds.

Due to statutory Federal privacy concerns regarding the subjects of hotline complaints, the full text of the report is being withheld from public release.