



U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



*National Telecommunications
and
Information Administration*

*Second Annual Assessment of the
Public Safety Interoperable
Communications Grant Program*

Final Report No. OIG-11-001-A

October 7, 2010

FOR PUBLIC RELEASE


Office of Audit and Evaluation





October 7, 2010

MEMORANDUM FOR: Lawrence E. Strickling
Assistant Secretary for
Communications and Information
National Telecommunications and
Information Administration

FROM: Ann C. Eilers 
Principal Assistant Inspector General for
Audit and Evaluation

SUBJECT: Final Audit Report No. OIG-11-001-A
*Second Annual Assessment of the Public Safety Interoperable
Communications Grant Program*

This memorandum transmits our final audit report detailing the results of our second annual assessment of NTIA's management of the Public Safety Interoperable Communications (PSIC) grant program.

As you know, we are required by the Implementing Recommendations of the 9/11 Commission Act of 2007 to assess PSIC grant administration annually through 2011. Our audit covered PSIC formula allocations, applications, grant awards, statewide communications interoperability plans, and investment justifications for the fiscal year ended September 30, 2009, with selected data through March 31, 2010. We coordinated our review with the Department of Homeland Security Office of Inspector General.

In brief, we found that although matching share for grantees is a significant concern, close monitoring by NTIA and the Federal Emergency Management Agency should help to ensure a successful completion of the program. Additionally, while the grantees are making progress toward meeting the goals of the PSIC program, our next series of audits will result in a more in-depth analysis and understanding of the operational aspects of the individual grant programs.

In accordance with Department Administrative Order 213-5, please provide us with an audit action plan within 60 days of the date of this memorandum, detailing the steps you have taken and those you intend to take in response to our recommendation. Please submit the plan to Jerry McMahan, our Atlanta Assistant Regional Inspector General, at the address below.

United States Department of Commerce
Office of Inspector General
401 W. Peachtree Street, NW
Suite 2742
Atlanta, GA 30308

Please direct any questions regarding this report to Mr. McMahan at (404) 730-2065 and refer to the report number listed above in any related correspondence.

Attachment

cc: Milton Brown, NTIA Audit Liaison
Kathy Smith, NTIA Chief Counsel
Laura Pettus, PSIC Program Manager
Daniel Meyerson, JD, NTIA Communications Program Specialist



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

October 7, 2010

Ms. Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472-3635

Dear Ms. Harman:

This letter transmits our final audit report (report number OIG-11-001-A) detailing the results of our second annual assessment of the National Telecommunications and Information Administration's (NTIA's) management of the Public Safety Interoperable Communications (PSIC) grant program.

As you know, we are required by the Implementing Recommendations of the 9/11 Commission Act of 2007 to assess PSIC grant administration annually through 2011. Our audit covered PSIC formula allocations, applications, grant awards, statewide communications interoperability plans, and investment justifications for the fiscal year ended September 30, 2009, with selected data through March 31, 2010. We coordinated our review with the Department of Homeland Security Office of Inspector General.

In brief, we found that although matching share for grantees is a significant concern, close monitoring by NTIA and the Federal Emergency Management Agency should help to ensure a successful completion of the program. Additionally, while the grantees are making progress toward meeting the goals of the PSIC program, our next series of audits will result in a more in-depth analysis and understanding of the operational aspects of the individual grant programs.

Please direct any questions regarding this report to Jerry McMahan, Atlanta Assistant Regional Inspector General for Audit, at (404) 730-2065, and refer to the report number above in any related correspondence.

Sincerely,

Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation

Enclosure

cc: David Turner, DHS/FEMA PSIC Program Manager
Richard L. Skinner, DHS Inspector General
Bradley A. Shefka, DHS Audit Liaison
Penny McCormack, FEMA Audit Liaison
Gina Norton, FEMA Audit Liaison
Mildred Lloyd, DHS/FEMA Grant Programs Directorate Audit Liaison
Mike Sivy, DHS OIG Grants Management



Report In Brief

U.S. Department of Commerce Office of Inspector General

October 7, 2010



Why We Did this Review

We audited NTIA's management of the PSIC program to determine whether

(1) the program was operating efficiently, with grantees procuring communications equipment;

(2) the program would effectively enable the grant recipients to complete their interoperable communications projects before the program's deadline; and

(3) whether technical assistance provided by NTIA and the Federal Emergency Management Agency (FEMA) will be effective in assisting grantees achieve program goals.

Background

The Digital Television Transition and Public Safety Act of 2005 authorized NTIA, in consultation with the Department of Homeland Security (DHS), to implement the PSIC program—a \$1 billion one-time, formula-based matching grant program intended to enable public safety agencies to establish interoperable emergency communications systems using reallocated radio spectrum.

The original award period for PSIC grants ran from October 1, 2007, to September 30, 2010. In November 2009, the President signed an act extending the award period to September 30, 2011.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct an annual assessment of the PSIC program and report our findings to Congress.

National Telecommunications and Information Administration (NTIA)

Second Annual Assessment of the Public Safety Interoperable Communications (PSIC) Grant Program (OIG-11-001-A)

What We Found

This report details our second annual assessment of NTIA's PSIC grants management for the year ended September 30, 2009, with selected updates through March 31, 2010.

We found that grantees are making progress in meeting the goal of obtaining communications equipment for use by local public safety agencies. We did not find any indication that grantees will not meet the PSIC award period deadline. However, grantees are having difficulty meeting and documenting nonfederal matching fund requirements. Also, NTIA has not closely monitored the grantees to prevent ineligible matching share claims.

NTIA and FEMA have released several guidance documents, conducted workshops, and held conferences to help grant recipients achieve the goals of the PSIC program. Their assistance will benefit grantees that are trying to meet the obligations of the program before the deadline for funding is reached.

What We Recommended

In our draft report, we recommended that NTIA and the FEMA Grant Programs Directorate closely monitor grantees' matching shares to ensure that matches directly benefit the PSIC grant program, meet eligibility, and are properly reported.

In their responses, NTIA and FEMA both concurred with our recommendation. NTIA stated that it would continue its efforts to monitor matching shares, and FEMA listed several activities it has undertaken or planned to help grantees understand the matching share requirements.

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INTRODUCTION

The Implementing Recommendations of the 9/11 Commission Act of 2007 require the Department of Commerce's Office of Inspector General to annually assess the National Telecommunications and Information Administration's (NTIA's) management of the Public Safety Interoperable Communications (PSIC) grant program and transmit our findings to the House Committee on Energy and Commerce and the Senate Committee on Commerce, Science and Transportation.

The PSIC program was authorized by the Digital Television Transition and Public Safety Act of 2005. The Act established a \$1 billion formula-based matching grant program and set a deadline of September 30, 2010, for grant funds to be expended. In our first annual PSIC report to Congress,¹ we found that most of the grant recipients that could benefit from the program would not have enough time to complete their projects within the required timeframe. As a result, legislation was drafted and the President signed Public Law 111-96 on November 6, 2009, allowing funding to remain available until expended through fiscal year 2011, or through fiscal year 2012 with NTIA's approval.

This report details our second annual assessment of NTIA's PSIC grants management for the year ended September 30, 2009, with selected updates through March 2010. The objectives of our review focused on NTIA's management of the PSIC program to determine whether (1) the program was operating efficiently with grantees procuring communications equipment, (2) the program would effectively enable the grant recipients to complete their interoperable communications projects before September 30, 2011, and (3) technical assistance provided by NTIA and the Federal Emergency Management Agency (FEMA) will be effective in assisting grantees achieve PSIC's program goals by the September 30, 2011, PSIC program deadline. A complete outline of our objectives, scope, and methodology is included as appendix A.

Our assessment found that grantees are having difficulties meeting and properly documenting allowable matching funds and will require close monitoring by NTIA and FEMA to ensure successful completion of the program. Additionally, while the grantees are, overall, making progress in meeting the goals of the PSIC program, our next series of audits will result in a more in-depth analysis and understanding of the operational aspects of the individual grant programs.

¹ Commerce OIG. March 2009. *Public Safety Interoperable Communications Grant Program: Grantees Appear Unlikely to Finish Projects Within Short Funding Time Frame* [Online].
<http://www.oig.doc.gov/oig/reports/2009/DEN-19003.pdf>

FINDINGS AND RECOMMENDATIONS

I. Grantee Matching Share Is a Concern

In response to whether the program was operating efficiently with grantees procuring communications equipment, we reviewed recipient drawdowns as of March 31, 2010 (see appendix B) and interviewed NTIA program staff. Based on this review and discussions with NTIA, we believe grantees are making progress. However, the matching share area could potentially present significant problems. As discussed below, we see a pattern in which states are having difficulties meeting and documenting allowable matching fund requirements.

The Digital Television Transition and Public Safety Act of 2005 requires a minimum 20 percent matching share from nonfederal sources for the acquisition and deployment of interoperable communications equipment and management and administration expenses. According to NTIA's online guide *Improving Interoperable Communications Nationwide*,² grantees are planning to provide more than \$256 million in matching funds. If grantees do not meet the matching share requirement stated in their respective grants, the amount of federal funding for which they qualify will be reduced. The goals of the program—to help state and local first responders improve public safety communications during a natural or man-made disaster—could be in jeopardy if grantees see their projected federal funding reduced.

In the audits of PSIC grantees we completed as of March 2010, and in the ongoing audits subsequent to that date, we identified a programmatic issue that we believe warrants close attention by NTIA. Specifically, we have concerns with the grantees' ability to meet and document the matching share requirement. In addition, NTIA has not closely monitored the grantees to prevent ineligible matching share. As of March 2010, we had completed four program audits in Louisiana, Nevada, Pennsylvania, and Arkansas; we found no problems in the Louisiana audit, but the other three had difficulties in complying with the matching share requirement:

- Nevada³ - the grantee had not documented \$1.29 million of the \$2.5 million committed minimum match required for the grant. Documentation was in process.
- Pennsylvania⁴ and Arkansas⁵ - Pennsylvania proposed \$3.3 million and Arkansas \$2.6 million in nonfederal matching shares that were not for eligible PSIC expenses. The investment schedules presented to NTIA by both states included these unacceptable matching share projects. The investment information was not sufficiently detailed for NTIA to determine whether the matching share items were acceptable. However, NTIA

² NTIA. November 2008. *Improving Interoperable Communications Nationwide: Overview of Initial State and Territory Investments*, 3. [Online]

[http://www.ntia.doc.gov/psic/PSIC%20Investment%20Data%20Analysis%20\(report%20and%20appendix\).pdf](http://www.ntia.doc.gov/psic/PSIC%20Investment%20Data%20Analysis%20(report%20and%20appendix).pdf)

³ Commerce OIG. September 2009. *Nevada Public Safety Interoperable Communications Grant PSIC Award No. 2007-GS-H7-0015* [Online]. <http://www.oig.doc.gov/oig/reports/2009/DEN-19431.pdf>

⁴ Commerce OIG. March 2010. *Pennsylvania Public Safety Interoperable Communications Grant PSIC Award No. 2007-GS-H7-0028* [Online]. <http://www.oig.doc.gov/oig/reports/2010/DEN-19429.pdf>

⁵ Commerce OIG. March 2010. *Arkansas Public Safety Interoperable Communications Grant PSIC Award No. 2007-GS-H7-0012* [Online]. <http://www.oig.doc.gov/oig/reports/2010/DEN-19430.pdf>

approved the submissions from both states and incorporated the amounts into the related project budgets. Based on our recommendations, both states revised their proposed matching shares to include only eligible expenses. NTIA approved the revised matching share proposals.

Audits in progress subsequent to March 2010 were for the states of California, Florida, Massachusetts, New York, and Texas. We are finding instances of recipients not being able to document their required matching share commitments and not properly tracking and reporting matching funds:

- One recipient had identified matching share that was almost \$600,000 less than the total amount required for the award. If additional match is not secured, this would result in a corresponding reduction in allowable federal funds of nearly \$2,400,000.
- Another recipient stated that they had \$7,000,000 in matching share expenses; however, these matching share contributions were not recorded in the grant accounting records and we were unable to verify whether any of the expenditures were allowable under the PSIC grant.

Recommendation

We recommend that NTIA, in conjunction with the FEMA Grant Programs Directorate, closely monitor grantees' matching shares to ensure that matches directly benefit the PSIC grant program, meet eligibility, and are properly reported.

II. Investments Appear to Be on Track for Completion Before End of Grant

Our review of drawdowns and our discussions with NTIA management showed that grantees had drawn down only 31 percent of the available funds (see appendix B), indicating that many of the grant programs were still in the preliminary stages. However, we did not find any indication that grantees would not meet PSIC deadlines, especially since NTIA can extend the deadlines for grantees to September 2012.

III. Technical Assistance Provided by NTIA and FEMA Should Be Effective in Assisting Grantees Achieve Program Goals

NTIA and FEMA released several documents to provide technical assistance to help grant recipients achieve program goals. These include the following:

- an online guide called *Improving Interoperable Communications Nationwide: Overview of Initial State and Territorial Investments*,⁶
- *Information Bulletin No. 313*,⁷ which announced the establishment of PSIC assistance within the period of performance to all 56 states and territories, and

⁶ See footnote 2.

⁷ Ashley, W. Ross. April 22, 2009. Grants Programs Directorate Information Bulletin No. 313 [Online]. www.fema.gov/pdf/government/grant/bulletins/info313.pdf

- NTIA and FEMA's *Program Management Handbook*,⁸ which was posted on NTIA's website.

NTIA also has provided information on matching requirements to grantees through published grants guidance, workshops, conferences, and direct communication. In addition, matching requirements were a main point of discussion at NTIA's national conference for grantees, which was held in October 2010. We believe that the assistance provided by NTIA and FEMA will help grantees to achieve the program's goal of improving public safety communication.

⁸ NTIA and FEMA. October 2009. *Program Management Handbook* [Online].
http://www.ntia.doc.gov/psic/PSIC_Handbook_111809.pdf

SUMMARY OF AGENCY RESPONSES

NTIA Response and OIG Comments

In response to our finding that NTIA, in conjunction with the FEMA Grant Programs Directorate, needs to closely monitor grantees' matching share, NTIA agreed and will work with grantees to ensure that states and territories are appropriately meeting and documenting their matching fund requirements. We concur with NTIA's proposed action.

FEMA Response and OIG Comments

The FEMA Grant Programs Directorate agreed with our recommendation to closely monitor grantees' matching share. FEMA also stated that it has provided assistance to grantees through various methods, including e-mails, telephone calls, and site visits; and that it would provide further assistance to grantees at NTIA's national conference. We concur with FEMA's proposed action.

See appendix C for the full text of both agencies' responses.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This report details our second assessment of NTIA's management of the program for the fiscal year ended September 30, 2009, with selected data used through March 31, 2010, to determine whether the program (1) was operating efficiently with grantees procuring communications equipment; (2) will effectively enable the grant recipients to complete their projects before September 30, 2011, or through fiscal year 2012 with NTIA's approval; and (3) technical assistance provided by NTIA and FEMA will be effective in assisting grantees achieve PSIC's goals by the program deadline.

To meet our objectives, we

- met with NTIA officials and the Department of Homeland Security's (DHS') FEMA Grant Programs Directorate officials responsible for the PSIC grant program;
- reviewed DHS PSIC grant monthly drawdown reports for each state and territory; and
- reviewed audit reports of PSIC grants conducted by OIG to date.

We also evaluated grantee compliance with federal laws and regulations applicable to PSIC grants, including

- Public Law 111-96;
- NTIA's online guide, *Improving Interoperable Communications Nationwide: Overview of Initial State and Territory Investments*, November 2008;
- DHS FEMA Information Bulletin #313, April 22, 2009; and
- NTIA's *Program Management Handbook*, October 2009.

We obtained an understanding of NTIA's management controls by interviewing NTIA officials and PSIC program officials, examining policies and procedures, and reviewing written assertions from NTIA officials.

We assessed the validity and reliability of computer-processed data supplied by NTIA and the FEMA Grant Programs Directorate by directly testing the data against supporting documentation. Based on our tests, we concluded that the computerized data were reliable for use in meeting our objectives.

We conducted this review 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.

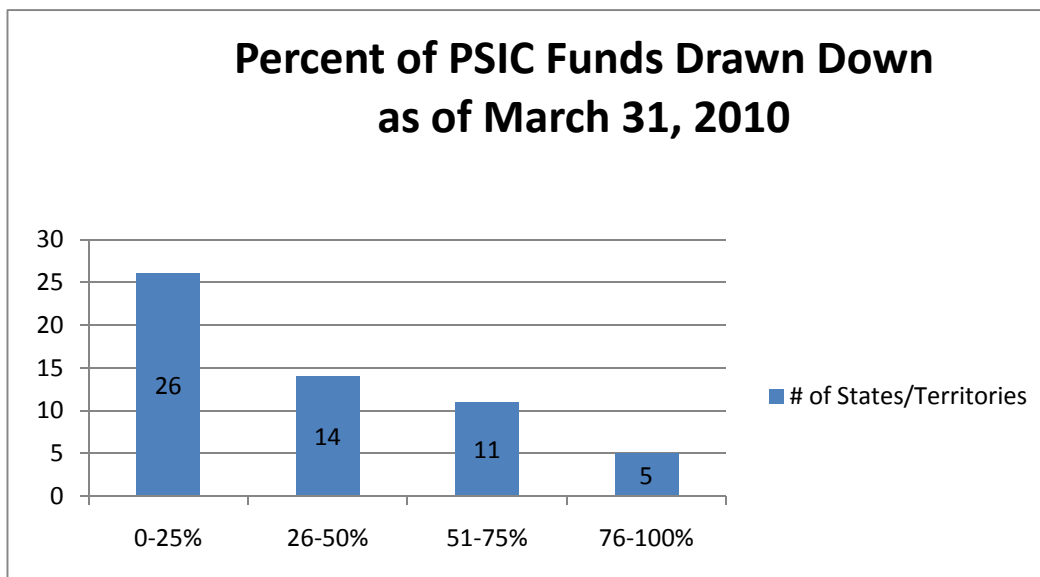
We performed this review under authority of the Implementing Recommendations of the 9/11 Commission Act of 2007, the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, August 31, 2006.

APPENDIX B: PSIC DRAWDOWNS

State	PSIC Federal Funds(\$)	Drawdowns as of March 31, 2010(\$)	Total PSIC Funds Remaining(\$)	Percent Drawn (%)
Alabama	13,585,399	368,657	13,216,742	3
Alaska	7,250,345	4,447,930	2,802,415	61
American Samoa	691,948	172,429	519,519	25
Arizona	17,713,050	6,094,200	11,618,850	34
Arkansas	11,169,402	1,197,593	9,971,809	11
California	94,034,510	19,157,223	74,877,287	20
Colorado	14,336,638	8,221,421	6,115,217	57
Connecticut	12,999,879	5,497	12,994,382	<1
Delaware	8,196,842	2,139,775	6,057,067	26
District of Columbia	11,857,972	2,485,931	9,372,041	21
Florida	42,888,266	17,674,540	25,213,726	41
Georgia	25,311,354	17,500,802	7,810,552	69
Guam	2,600,678	946,661	1,654,017	36
Hawaii	8,069,879	1,378,139	6,691,740	17
Idaho	7,289,795	5,261,721	2,028,074	72
Illinois	36,414,263	11,409,744	25,004,519	31
Indiana	18,291,735	14,566,674	3,725,061	80
Iowa	10,935,974	7,703,268	3,232,706	70
Kansas	10,667,169	9,383,348	1,283,821	88
Kentucky	15,405,625	4,337,733	11,067,892	28
Louisiana	19,672,287	13,508,915	6,163,372	69
Maine	7,567,579	3,509,366	4,058,213	46
Maryland	22,934,593	1,809,749	21,124,844	8
Massachusetts	21,191,988	869,915	20,322,073	4
Michigan	25,039,781	11,023,782	14,015,999	44
Minnesota	14,262,071	3,895,392	10,366,679	27
Mississippi	10,989,345	1,738,759	9,250,586	16
Missouri	17,465,576	280,000	17,185,576	2
Montana	6,549,685	1,118,836	5,430,849	17
Nebraska	8,582,108	784,094	7,798,014	9
Nevada	12,042,417	3,652,569	8,389,848	30
New Hampshire	5,966,760	9,292	5,957,468	<1
New Jersey	30,806,646	290,492	30,516,154	<1
New Mexico	8,288,725	2,363,594	5,925,131	29
New York	60,734,783	5,051,270	55,683,513	8
North Carolina	22,130,199	3,390,510	18,739,689	15

State	PSIC Federal Funds(\$)	Drawdowns as of March 31, 2010(\$)	Total PSIC Funds Remaining(\$)	Percent Drawn (%)
North Dakota	7,052,490	4,610,973	2,441,517	65
N. Mariana Islands	719,236	15,708	703,528	2
Ohio	29,377,337	22,626,212	6,751,125	77
Oklahoma	11,684,183	6,311,138	5,373,045	54
Oregon	12,182,532	2,756,295	9,426,237	23
Pennsylvania	34,190,555	7,190,038	27,000,517	21
Puerto Rico	9,590,025	2,204,127	7,385,898	23
Rhode Island	7,365,694	6,598,183	767,511	90
South Carolina	13,499,308	6,033,849	7,465,459	45
South Dakota	6,549,691	3,782,654	2,767,037	58
Tennessee	17,540,752	12,048,634	5,492,119	69
Texas	65,069,247	13,320,933	51,748,314	20
U.S. Virgin Islands	856,907	800,054	56,853	93
Utah	10,353,261	4,045,849	6,307,412	39
Vermont	4,476,761	183,183	4,293,578	4
Virginia	25,012,521	8,103,520	16,909,001	32
Washington	19,180,347	3,915,236	15,265,111	20
West Virginia	8,429,484	5,451,804	2,977,680	65
Wisconsin	15,367,216	965,280	14,401,936	6
Wyoming	5,952,187	1,310,414	4,641,773	22
TOTAL	968,385,000	300,023,904	668,361,096	31

Source: NTIA/FEMA monthly drawdown reports



Source: NTIA/FEMA monthly drawdown reports

APPENDIX C: AGENCY RESPONSES



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Communications
and Information
Washington, D.C. 20230

SEP 20 2010

MEMORANDUM FOR: Jerry McMahan
Assistant Regional Inspector General for Audit and
Evaluation

FROM: Lawrence E. Strickling *Lawrence E Strickling*
Assistant Secretary for Communications
and Information

SUBJECT: Draft Audit Report No. DEN-19633: *Second Annual
Assessment of the Public Safety Interoperable
Communications Grant Program*

In accordance with Department Administrative Order 213-3, and as requested in your memorandum of August 31, 2010, transmitting the Office of Inspector General's (OIG) Draft Audit Report No. DEN-19633, I am pleased to submit the National Telecommunications and Information Administration's (NTIA) response to the report.

Draft Audit Report Recommendations

The Draft Audit Report recommends that:

...NTIA, in conjunction with the FEMA Grant Programs Directorate, closely monitor grantees' matching shares to ensure that matches directly benefit the PSIC grant program, meet eligibility, and are properly reported.

Recognizing the importance of grantees meeting their match obligations, NTIA, along with the Federal Emergency Management Agency (FEMA) Grant Programs Directorate (GPD), will work closely with the grantees to ensure that States and Territories are appropriately meeting and documenting their matching funds requirements.

NTIA has provided additional assistance on match issues to grantees through the PSIC Program Management Handbook (PMH) (http://www.ntia.doc.gov/psic/PSIC_Handbook_111809.pdf), and will address grantee matching share requirements and documentation methodology as a priority topic during the PSIC Grantee Conference on October 5-6, 2010, in Cleveland, OH.



DHS/FEMA Response to Draft Report No. DEN-19633

Second Annual Assessment of the Public Safety Interoperable Communications Grant Program

U.S. Department of Commerce, Office of Inspector General Recommendation 1:

We recommend that NTIA, in conjunction with the FEMA Grant Programs Directorate, closely monitor grantee' matching shares to ensure that matches directly benefit the PSIC grant program, meet eligibility, and are properly reported.

FEMA GPD Response:

The Grant Programs Directorate, in conjunction with NTIA, is continuing to diligently monitor grantees and will work closely with them to ensure that match sources are eligible, directly benefit the PSIC Grant Program, and are appropriately documented.

FEMA has provided assistance to grantees on match issues through:

- One-on-one grantee assistance via email, telephone, and site visits.
- The PSIC Program Management Handbook (http://www.ntia.doc.gov/psic/PSIC_Handbook_111809.pdf).
- The Match Toolkit (<http://www.ntia.doc.gov/psic/content/MatchToolkit.xls>) and associated instructions (<http://www.ntia.doc.gov/psic/content/MatchToolkitInstructions.doc>).
- Reviews of submitted budget modifications; any budget modification is carefully reviewed from the financial perspective to ensure that the State or territory is meeting the minimum required match and that match sources are eligible.
- Monitoring of financial reports (i.e., BSIR, FFR).

FEMA has taken the OIG's recommendation into consideration and tailored the PSIC Grantee Assistance Conference agenda to address match documentation and requirements. A publication on match to be distributed at the conference will provide additional guidance and specific match examples to grantees. FEMA representatives will be available during the conference to provide in-person technical assistance for match concerns.

DEN-19633