



U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



***National Telecommunications and
Information Administration***

***Pennsylvania Public Safety
Interoperable Communications
Grant Award No. 2007-GS-H7-0028***

***Final Audit Report No. DEN-19429
March 2010***

Denver Regional Office of Audits





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

March 17, 2010

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

FROM: Dr. Brett M. Baker
Assistant Inspector General for Audit

SUBJECT: Final Audit Report No. DEN-19429
Auditee: Pennsylvania Emergency
Management Agency
PSIC Award No. 2007-GS-H7-0028

Attached is a copy of our final audit report of the Pennsylvania Public Safety Interoperable Communications (PSIC) award. Since there are no recommendations in the audit report, no further action is needed and an agency Audit Resolution Proposal is not required. A copy of the report will be posted on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

If you have any questions regarding this report, please call John S. Bunting, our Denver regional inspector general for audits, at (303) 312-7650 and reference the final audit report number above in any related correspondence.

Attachment

cc: Milton Brown, NTIA audit liaison
Kathy Smith, NTIA chief counsel
Laura Pettus, PSIC program manager



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General

Washington, D.C. 20230

March 17, 2010

Mr. Jeffrey A. Thomas
Deputy Director for Administration
Pennsylvania Emergency Management Agency
2605 Interstate Drive
Harrisburg, PA 17110

Dear Mr. Thomas:

Enclosed is a copy of final audit report number DEN-19429 prepared by our Denver Regional Office. The report concerns the Public Safety Interoperable Communications (PSIC) grant awarded to your agency (award number 2007-GS-H7-0028) by the National Telecommunications and Information Administration (NTIA).

Your response to the draft audit report has been incorporated into the final report. Since there are no recommendations in the final report, no further action is needed.

We appreciate the cooperation and courtesies extended by you and your staff during the audit. The report, along with your response, will be posted on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

Sincerely,

Dr. Brett M. Baker
Assistant Inspector General for Audit

Enclosures

cc: Laura M. Pettus, NTIA PSIC program manager
Carolyn P. Dunn, DHS/FEMA Grant Programs Directorate
Rita Kipp, PEMA, deputy director of finance
Charles Brennan, OA/OPRS, Deputy Secretary OA for Public Safety Radio
Steven Kuller, OA/OPRS, Director of Administration and Planning
Greg Steckel, OA/OPRS, PSIC project manager
Jack Wagner, Auditor General
Mary Soderberg, Secretary of the Budget



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

March 17, 2010

Ms. Tracey Trautman
Deputy Assistant Administrator
Grant Programs Directorate
FEMA
500 C Street, SW
Washington, DC 20472-3615

Dear Ms. Trautman:

Enclosed is our final audit report (DEN-19429) regarding Public Safety Interoperable Communications grant award number 2007-GS-H7-0028, which was awarded by the National Telecommunications and Information Administration to the Pennsylvania Emergency Management Agency.

A copy of the report will be posted on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

If you have any questions regarding this report, please call John S. Bunting, our Denver regional inspector general for audits, at (303) 312-7650 and reference the final audit report number above in any related correspondence.

Sincerely,

Dr. Brett M. Baker
Assistant Inspector General for Audit

Enclosure

cc: Richard L. Skinner, DHS inspector general
Carolyn Dunn, DHS/FEMA Grant Programs Directorate
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 Sivi, DHS OIG Grants Management



Report In Brief

U.S. Department of Commerce Office of Inspector General

March 2010



Why We Did this Review

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a \$34,190,555 Public Safety Interoperable Communications (PSIC) grant to the Commonwealth of Pennsylvania to enhance interoperable emergency communications. NTIA required a minimum 20 percent matching share from nonfederal sources for the acquisition and deployment of communications equipment, and management and administration costs.

The original award period 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, by which time all funds must be expended.

The governor of Pennsylvania designated the Pennsylvania Emergency Management Agency (PEMA) as Pennsylvania's state administrative agency to apply for and administer PSIC funds. We audited costs claimed by PEMA to determine whether the recipient complied with NTIA PSIC grant guidelines and the Department of Homeland Security (DHS) award terms and conditions.

Background

The Digital Television and Public Safety Act of 2005 authorized NTIA, in consultation with the 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 real-located radio spectrum.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct financial audits, over 4 years, of a representative sample of at least 25 states or territories receiving PSIC grants. The Pennsylvania grant program is among our first audits under this requirement.

National Telecommunications and Information Administration

Pennsylvania Public Safety Interoperable Communications Grant PSIC Award No. 2007-GS-H7-0028 (DEN-19429)

What We Found

Our audit covered the award period of October 1, 2007, through December 31, 2008, during which time PEMA claimed total costs of \$346,850. In general, we found PEMA to be in compliance with requirements and on track to complete the project on time.

Specifically, PEMA has

- prepared an investment justification describing how PSIC grant funds would be used to improve interoperable communications and ensure interoperability with other public safety agencies. It anticipates completing all 10 of its investments on schedule by the September 30, 2011, program deadline;
- corrected an unallowable portion of its matching share funds, thus meeting the minimum 20 percent nonfederal matching share requirement for acquiring and deploying equipment, and managing and administering projects;
- complied with grant terms and conditions by fulfilling financial reporting requirements, meeting the cash drawdown requirement of drawing down funds 30 days prior to expenditure or a disbursement, and complying with the 80 percent pass-through requirement by passing through \$27.9 million (about 81 percent) of \$34.2 million to PSIC fund recipients;
- begun to claim matching share costs in accordance with grant terms and conditions and PSIC's reporting requirements; and
- claimed costs of \$346,850 on the December 31, 2008, financial status report; we determined that the costs claimed were reasonable, allowable, and allocable according to PSIC grant regulations.

What We Recommended

We made no formal recommendations in our report, but did suggest ways to enhance internal controls:

- During our fieldwork, we pointed out unallowable matching share funds, which PEMA corrected; this change will put \$3,310,338 of funds to better use.
- As of December 31, 2008, PEMA expended \$102,228 of federal funds for management and administration that required a matching share contribution. However, PEMA did not claim any matching share, although they had incurred sufficient matching share costs. As a result of our exit conference, PEMA is now reporting matching share costs in accordance with grant terms and conditions and reporting requirements.

Also, as part of our audit we reviewed the results of Pennsylvania's Office of Management and Budget Circular No. A-133 audit report for the year ended June 30, 2007. Although PSIC was not part of the audit, we reviewed the report for issues that could have a direct and material effect on the program. We found that PEMA did not have formal procedures in place to ensure the equipment being requested is included on the federal government's authorized list of allowable equipment. Further, PEMA did not have the required properly signed receiving report on file to support the receipt of the equipment by the designated location. Also, PEMA charged expenditures to the accounting system after the grant period ended. PEMA did not have adequate procedures in place to ensure that expenditures were liquidated within the required 90-day time period after the grant ending date.

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Introduction

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a \$34,190,555 Public Safety Interoperable Communications (PSIC) grant to the Commonwealth of Pennsylvania to enhance interoperable emergency communications. The amount of the award subject to match is \$32,764,195. NTIA required a minimum 20 percent matching share (\$8,191,049) from nonfederal sources for acquisition and deployment of communications equipment, and management and administrative costs. Statewide planning, coordination, and training costs do not require matching share.

The original award period runs from October 1, 2007, to September 30, 2010. On November 6, 2009, the President signed Public Law 111-96, which extended the allowable completion periods for all PSIC grants for one year, but not later than September 30, 2011, except as determined by NTIA.

The governor of Pennsylvania designated the Pennsylvania Emergency Management Agency (PEMA) as Pennsylvania's state administrative agency to apply for and administer PSIC funds.¹ PEMA delegated authority for the administration of the PSIC grant program to the Governor's Office of Administration pursuant to a memorandum of understanding.

In November 2008, we initiated an audit of costs claimed by PEMA to determine whether it had complied with NTIA PSIC grant guidelines and DHS award terms and conditions. The audit covered the award period of October 1, 2007, through December 31, 2008, during which time the recipient claimed total costs of \$346,850.

The objective of our audit was to determine whether PEMA was using its grant funds in accordance with federal requirements. In particular, we assessed whether PEMA (1) was on track to complete its interoperable communications investments by September 30, 2010 (the original

Public Safety Interoperable Communications Program

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.

NTIA signed a memorandum of understanding with the Department of Homeland Security, under which DHS oversees and administers the PSIC program.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct financial audits, over 4 years, of a representative sample of at least 25 states or territories receiving PSIC grants. The Pennsylvania grant program is among the first audits under this requirement.

¹ The PSIC program requires the governor of each state and territory to designate a state administrative agency to apply and administer PSIC funds. Administrative agencies are required to pass through no less than 80 percent of the total award amount to local or tribal governments or authorized nongovernmental public safety agencies, unless the local entity opts, via written agreement, to have the state agency retain and spend the funds on its behalf. Grantees must meet a 20 percent nonfederal match for acquisition and deployment.

deadline before P.L. 111-96); (2) met the minimum 20 percent match for acquiring and deploying interoperable communications equipment, and management and administrative costs; (3) claimed reasonable, allowable, and allocable costs under the award; and (4) complied with grant terms and conditions. Appendix A outlines the objectives, scope, and methodology we used in the audit.

PEMA asserts that all 10 investments are on schedule to be completed by September 30, 2011. (See pages 3 through 6.)

PEMA has sufficient minimum budgeted matching share of \$8,191,049. However, during our fieldwork we found that PEMA planned to claim in-kind rent of \$3,310,338 as match, which was unallowable. PEMA changed this match to an allowable method. In addition, we counseled PEMA that only a portion of its planned local-cash match could be claimed. (See pages 6 through 8.)

PEMA claimed costs of \$346,850 on the December 31, 2008, financial status report. We determined that the costs claimed were reasonable, allowable, and allocable according to PSIC grant regulations. (See appendix C.)

PEMA generally complied with grant terms and conditions. PEMA complied with requirements for financial status reporting, cash drawdowns, and 80 percent pass-through to local applicants. (See pages 8 through 10.)

Findings and Recommendations

I. Investment Justification's Individual Investments Are on Schedule

PEMA prepared an investment justification based on the NTIA *PSIC Investment Justification Reference Guide* (dated September 2007) that detailed individual communications projects intended to (1) achieve meaningful and measurable improvements in interoperability and (2) fill gaps identified in the statewide communications interoperability plan. The investment justification had a total of 10 investments (table 1) and was approved on July 25, 2008. PEMA asserts that all 10 investments are on schedule to be completed by September 30, 2011.

Table 1. **Investment Justification and Funding**

PSIC Investment Justification	PSIC Funds Awarded	Non-Federal Match	Total
1. North Central Task Force - Mutual Aid Gateway Systems and Console Interfaces With PA STARNet	\$ 750,000	\$ 177,500	\$ 927,500
2. Northwest Central Emergency Response Group - Deployable Interoperable Communications Systems	750,000	185,000	935,000
3. Northeast Pennsylvania Emergency Response Group - PSAP Console Interface with the PA STARNet Statewide radio system	2,030,000	481,250	2,511,250
4. Southeast Pennsylvania Regional Task Force & City of Philadelphia	8,350,994	24,911,552	33,262,546
5. South Central Task Force - Microwave and Gateway Network	4,000,000	946,298	4,946,298
6. Pennsylvania Region 13	8,253,718	1,955,161	10,208,879
7. Northeast Pennsylvania Emergency Response Group - VHF, UHF Gateway Overlay System and Microwave Upgrade for Interoperability	2,648,008	1,606,992	4,255,000
8. Commonwealth of Pennsylvania - Tactical Video and Data Interoperability System	4,105,713	2,053,988	6,159,701
9. Commonwealth of Pennsylvania - Interface of the PA STARNet System with all Public Safety Answering Points, Statewide	875,000	215,000	1,090,000
10. Southeast Pennsylvania Regional Task Force - PA STARNet Deployable Tactical Interoperability Systems and Radio Caches	1,099,006	273,251	1,372,257
Statewide Plan	302,400		302,400
Management and Administration	1,025,716	256,429	1,282,145
Total	\$34,190,555	\$33,062,421	\$67,252,976

Source: PEMA investment justification

The PSIC program requires investment justifications to include plans for establishing a strategic technology reserve of interoperable communications equipment prepositioned for immediate deployment during emergencies or disasters. States were permitted to request a waiver for this requirement if they could demonstrate they already had such a reserve or that other PSIC project proposals represented a higher priority for public safety communications. PEMA was able to demonstrate it had strategic technology reserve capability and requested a waiver, which NTIA approved.

Investment 1: North Central Task Force - Mutual Aid Gateway Systems and Console Interfaces with PA STARNet

The region will install a network of Tyco Network First gateways equipped with applicable VHF, UHF, and 800-MHz National Mutual Aid frequencies for interoperability between local and out-of-region responders. PEMA asserts investment 1 is on schedule to be completed by September 30, 2011.

Investment 2: Northwest Central Emergency Response Group - Deployable Interoperable Communications Systems

PEMA will purchase four deployable Mobile Communications Trailers equipped with gateway equipment; VHF, UHF, 700-MHz (future), and 800-MHz radio equipment to support interoperability across different frequency bands; interface with the PA STARNet system; and be capable of narrow-band analog, OpenSky, and P25 digital operation. PEMA asserts investment 2 is on schedule to be completed by September 30, 2011.

Project 25 (P25) is a set of national standards for manufacturing interoperable digital two-way wireless communications products. Radio equipment that meets P25 standards can communicate with any other P25 system, regardless of vendor, enabling users of different systems to talk via direct radio contact.

Investment 3: Northeast Pennsylvania Emergency Response Group - PSAP Console Interface with the PA STARNet Statewide Radio System

PEMA will implement and interface the PA STARNet system directly to the existing ZETRON ACOM dispatch consoles in county Public Safety Answering Points (PSAPs). PEMA will also implement and stage a fleet of eight vehicle-mounted mobile gateways throughout the region, equipped with VHF, UHF, Future 700-MHz, and 800-MHz National Mutual Aid frequencies, to enable on-scene interoperability among responding units with disparate systems. PEMA asserts investment 3 is on schedule to be completed by September 30, 2011.

Investment 4: Southeast Pennsylvania Regional Task Force and City of Philadelphia

PEMA will upgrade the city of Philadelphia's current 800-MHz Trunked Radio system from legacy Analog/Digital 800-MHz-only capability to an Internet protocol-based, P25, 700/800-MHz system that is capable of network-level interoperability. PEMA will also add bidirectional amplifiers and/or distributed antenna networks to below-grade subway transit stations to allow multiple disciplines (police, fire, emergency medical services) and jurisdictions (city, Southeast Pennsylvania Transportation Authority, universities, federal) to communicate during incidents

that occur in the subway system. Philadelphia will upgrade its existing radio system to a P25-compatible system. PEMA asserts investment 4 is on schedule to be completed by September 30, 2011.

Investment 5: South Central Task Force - Microwave and Gateway Network

PEMA will build an overlay network of gateway systems, with VHF, UHF, 700-MHz (future), and 800-MHz National Mutual Aid frequencies installed. The Mutual Aid stations will be located at 10 tower sites in the region. These sites will be linked by digital microwave in a loop configuration, which will provide connectivity between the gateways and repeaters; control of the gateways from all PSAPs and secure highly reliable connectivity between PSAPs. PEMA asserts investment 5 is on schedule to be completed by September 30, 2011.

Investment 6: Pennsylvania Region 13 (two separate projects)

1. PEMA will develop and implement a UHF, county-wide, P25 standard-based, public safety communications system for Allegheny County.
2. Greene, Fayette, and Somerset counties will implement microwave connectivity to enable communications between PSAPs for radio and data interoperability, provide redundant dispatch and call-taking capability in the event of the loss of one or more PSAPs, and create a common network backbone for a merged radio system.

PEMA asserts investment 6 is on schedule to be completed by September 30, 2011.

Investment 7: Northeast Pennsylvania Emergency Response Group - VHF, UHF Overlay System, and Microwave Upgrade for Interoperability

PEMA will provide a gateway overlay system and a microwave upgrade for local jurisdictions operating on disparate VHF and UHF frequencies and state agencies operating on the PA STARNet statewide OpenSky system. This will increase efficiency and add capacity to the system. PEMA asserts investment 7 is on schedule to be completed by September 30, 2011.

Investment 8: Commonwealth of Pennsylvania - Tactical Video and Data Interoperability System (two separate projects)

1. The Commonwealth of Pennsylvania will provide statewide UHF and VHF overlay systems to connect to the 800-MHz system.
2. The Commonwealth will provide deployable air-to-ground video and data systems to provide scene-of-incident video and data to incident commanders and ground tactical units.

PEMA asserts investment 8 is on schedule to be completed by September 30, 2011.

Investment 9: Commonwealth of Pennsylvania - Interface of the PA STARNet System with All Public Safety Answering Points Statewide

PEMA will enhance 911 centers by connecting them to an 800-MHz system and interface standalone PA STARNet control stations with the dispatch consoles in each PSAP. PEMA asserts investment 9 is on schedule to be completed by September 30, 2011.

Investment 10: Southeast Pennsylvania Regional Task Force - PA STARNet Deployable Tactical Interoperability Systems and Radio Caches

PEMA will buy deployable equipment, such as radios, mobile radios, and vehicle tactical repeater systems, to provide a common interoperability platform at the scene of a major incident or event and provide direct in-field access to the PA STARNet system. PEMA asserts investment 10 is on schedule to be completed by September 30, 2011.

II. PEMA Corrected Its Unallowable Matching Share

PEMA is required to have 20 percent matching share in place from nonfederal sources for the acquisition, deployment, and management and administration of interoperable communications equipment. The match is required by the Digital Television Transition and Public Safety Act of 2005; Public Law 109-171, Section 3006; the *PSIC Grant Program Guidance and Application Kit*; and special award conditions.

Based on these requirements, PEMA must have a minimum matching share of \$8,191,049 in place. PEMA's minimum required share consists of local-cash match of \$2,087,749, commonwealth cash match of \$2,792,962, and commonwealth in-kind match of \$3,310,338.

PEMA's approved investment justification budgeted matching share of \$33,062,421. This was categorized into three types: local-cash match of \$24,911,552; commonwealth cash match of \$2,792,962; and commonwealth in-kind match of \$5,357,907. PEMA's local match was to be provided over a 10-year period, but we counseled PEMA that it can claim only that portion of the \$24,911,552 local-cash match (\$2,087,749) that will be expended before September 30, 2010 (now September 30, 2011).

We also questioned the budgeted portion of commonwealth in-kind match of \$3,310,338 that was originally categorized as in-kind rents. The in-kind rents were to be based on the present value of foregone rental receipts on radio towers and radio shelters owned by the Commonwealth of Pennsylvania. Although 15 CFR § 24.24 (d)(2) allows space donated by a third party to be considered as a matching share contribution, valued at the fair value rental rate of the space, in this case there is no third party donating the space. The Commonwealth of Pennsylvania—the recipient of the PSIC grant—constructs, owns, maintains, and manages the radio towers. As a grant recipient, allowable costs are limited to those actually incurred as expenses in the accounting records. Since foregone rental revenue on space the commonwealth may have leased to an outside entity is not an actual incurred expense, it may not be claimed as a matching share.

PEMA agreed with our findings, and in lieu of in-kind rent PEMA proposed a use allowance of the capital acquisition costs for structures and buildings, and equipment for 57 sites used for

investments 7 and 8. The structures and buildings cost \$22 million, and the equipment cost \$15 million.

Office of Management and Budget (OMB) Circular A-87, Attachment B, Section 11.f., states, “Where the use allowance method is followed, the use allowance for buildings and improvements will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding 6.67 percent of acquisition cost.” Using these percentages and a 3-year benefit period, PEMA calculated a total use allowance for match purposes of \$4.4 million.

We accept PEMA’s use allowance methodology, provided PEMA is consistent in its accounting treatment. PEMA has confirmed that the \$37 million of use allowance costs have not been charged to any other cost objectives. If some of these costs are charged directly, they all must be direct charges. None of these costs can be allocated as indirect costs.

PEMA’s change of \$3,310,338 of budgeted match from in-kind rents to a use allowance of the capital acquisition costs for structures and buildings will put \$3,310,338 of funds to better use.

III. PEMA Had Not Claimed Matching Share Costs

NTIA’s *PSIC Grant Program Guidance and Application Kit*, Section VI (B), requires the match be expended at the same rate as the federal share. As of December 31, 2008, PEMA expended \$102,228 of federal funds for management and administration that required a matching share contribution. As of December 31, 2008, PEMA did not claim any matching share, although they had incurred sufficient matching share costs.

As a result of our exit conference, PEMA is now reporting matching share costs in accordance with grant terms and conditions and reporting requirements. As of September 30, 2009, PEMA claimed matching share costs beyond the amount required to keep pace with federal outlays.

IV. PEMA Has Complied with Grant Terms and Conditions

A. PEMA Complied with Financial Status Reporting Requirement

We reviewed the financial status reports (Standard Form 269) filed by PEMA for the period of October 2007 through December 2008. The *PSIC Program Guidance and Application Kit* states that these reports must be filed within 30 days of the end of each calendar quarter for every quarter the award is active, including partial calendar quarters and periods during which no grant activity occurs. PEMA submitted all of its financial status reports within the 30-day time period.

B. PEMA Complied with Cash Drawdown Requirement

The *PSIC Grant Program Guidance and Application Kit* allowed states to draw down funds up to 5 percent of their PSIC allocations prior to receiving their full grant amounts to ensure that PSIC requirements were addressed in their statewide communications interoperability plan. On June 3, 2008, PEMA drew down \$240,000 for statewide planning funds to update their statewide communications interoperability plan.

The *PSIC Grant Program Guidance and Application Kit*, Section VI (B), states that grantees should draw down funds as close to expenditure as possible, up to 30 days prior to expenditure/reimbursement to avoid accruing interest. Funds received by grantees must be placed in an interest-bearing account, and if not expended in 30 days, interest earned must be remitted to the U.S. Treasury. We reviewed PEMA's PSIC cash drawdowns as of December 31, 2008, which totaled \$345,090. We found one drawdown that was 4 days in excess of 30 days from payment. The imputed interest on the cash drawn down in excess of 30 days was immaterial. We consider PEMA to be materially in compliance with the cash drawdown requirement.

C. PEMA Complied with 80 Percent Pass-Through Requirement

PEMA passed through \$27.9 million (81 percent) of the \$34.2 million in PSIC federal funds to six task forces,² exceeding the 80 percent pass-through requirement stated in the *PSIC Grant Program Guidance and Application Kit*. States are also required to pass through PSIC funds to local or tribal applicants within 60 days after approval of an investment justification. PEMA complied with this requirement as well (see table 2).

Table 2. Pass-Through of PSIC Funds

	Funds Passed Through to Locals	Funds Retained by State via Memorandums of Understanding	Total Funding Passed Through to Locals	PSIC Funds Retained by the State	Total Federal Funds
Investment 1		\$ 750,000	\$ 750,000		\$ 750,000
Investment 2		750,000	750,000		750,000
Investment 3		2,030,000	2,030,000		2,030,000
Investment 4	\$8,350,994		8,350,994		8,350,994
Investment 5		4,000,000	4,000,000		4,000,000
Investment 6		8,253,718	8,253,718		8,253,718
Investment 7		2,648,008	2,648,008		2,648,008
Investment 8				\$4,105,713	4,105,713
Investment 9				875,000	875,000
Investment 10		1,099,006	1,099,006		
Statewide Planning				302,400	302,400
M&A Costs				1,025,716	1,025,716
Total	\$8,350,994	\$19,530,732	\$27,881,726	\$6,308,829	\$34,190,555
Percent	24	57	82	18	100

Source: PEMA Documents

² Pennsylvania has divided the commonwealth into nine regional task forces, of which six received PSIC funds.

The six task forces receiving pass-through funds for interoperable communication equipment, planning, training, program administration, and exercise activities requested in writing for the commonwealth to procure equipment and provide services on their behalf. The commonwealth and the six task forces entered into formal memorandums of understanding for the procurement and services.

PEMA retained \$6.3 million in funding to complete commonwealth projects, \$5 million for commonwealth investments, \$1 million for management and administration costs, and \$0.3 million for statewide planning.

V. Reasonable and Allowable Costs Were Claimed

PEMA claimed costs of \$346,850 on the December 31, 2008, financial status report. We determined that the costs claimed were reasonable, allowable, and allocable according to PSIC grant regulations (see appendix C).

VI. Follow-Up Was Conducted on Prior Audit Recommendations

As part of our audit, we reviewed the results of Pennsylvania's OMB Circular No. A-133 audit report for the year ended June 30, 2007. Although the PSIC program was not part of the audit, we reviewed the report for issues that could have a direct and material effect on the program, and identified two items:

1. *Federal purchasing requirements.* PEMA did not have formal procedures in place to review the detailed equipment lists submitted by the subrecipients to ensure the items being requested are included on the federal government's authorized list of allowable equipment. Further, PEMA did not have a properly signed receiving report on file to support the receipt of the equipment by the designated location within the task force's region as required under the contract with each task force. Through December 31, 2008, PEMA had not charged any equipment to the PSIC grant; therefore, we could not test PEMA's compliance with purchasing requirements in regards to the PSIC grant.
2. *Federal reimbursement requirements.* PEMA charged expenditures to the accounting system after the grant period ended. Costs claimed under various PEMA grants were unallowable since they were not liquidated within the required time period under federal regulations. PEMA did not have adequate procedures in place to ensure that expenditures were liquidated within the required 90-day time period after the grant ending date. The PSIC grant has not reached the end of the grant period; therefore, we could not test PEMA's compliance.

Summary Results of Financial Audit

The results of our interim cost audit for the period October 1, 2007, through December 31, 2008, which are detailed in appendix C, are summarized as follows:

Federal Funds Disbursed		\$346,850
Costs Incurred	\$346,850	
Less Questioned Costs	<u>0</u>	
Costs Accepted	\$ 346,850	
Less Matching Share	<u>0</u>	
Federal Funds Earned		<u>\$346,850</u>
Refund Due the Government		<u>\$ 0</u>

Summary of Agency Response and OIG Comments

PEMA wished to rescind the statement, found on page 3 of our draft audit report, that 6 of its 10 investments are at risk of not being completed by September 30, 2010, the original date for the end of the performance period of the grant.

Public Law 111-96, signed on November 6, 2009, provides all 56 PSIC grantees a one-year period of performance extension to complete approved PSIC investments no later than September 30, 2011. Based on the extension, PEMA asserts that all 10 investments are on schedule to be completed by September 30, 2011. We followed up on this response to determine whether PEMA is on track to complete its interoperable communications investments by September 30, 2011, and we concur with PEMA.

PEMA's complete response to our draft report is in appendix D. The response provides a percent complete estimation for each investment as of February 2010.

Appendix A: Objectives, Scope, and Methodology

The objective of our audit was to determine whether PEMA was using its grant funds in accordance with federal requirements. In particular, we assessed whether PEMA (1) is on track to complete its interoperable communications investments by September 30, 2010 (original deadline before P.L. 111-96); (2) met the minimum 20 percent match for acquiring and deploying interoperable communications equipment, and management and administrative costs; (3) claimed reasonable, allowable, and allocable costs under the award; and (4) complied with grant terms and conditions.

The audit scope included a review of costs claimed during the award period of October 1, 2007, through December 31, 2008. We conducted our fieldwork in November 2008 at the PEMA office in Harrisburg, Pennsylvania, and in Philadelphia and Pittsburgh. We reviewed PEMA's financial management of the award and its implementation of award requirements.

To meet our objectives, we did the following:

- reviewed investment documentation and discussed each investment with agency officials
- analyzed source documents related to the minimum 20 percent match for acquiring and deploying interoperable communications equipment
- traced costs claimed to source documentation
- interviewed PEMA officials, the governor's Office of Administration officials, and the Pennsylvania state legislative auditor, and reviewed the state's OMB Circular No. A-133 audit report for the year ending June 30, 2007
- reviewed pertinent laws, regulations, and guidance (listed below) against PEMA's PSIC activities and internal controls

We evaluated PEMA's compliance with federal laws and regulations applicable to the PSIC grant project and found them to be generally in compliance with the following:

- Section 3006 of the Digital Television Transition and Public Safety Act of 2005, Public Law 109-171
- Call Home Act of 2006, Public Law 109-459
- Implementing Recommendations of the 9/11 Commission Act of 2007, Public Law 110-53
- Public Safety Interoperable Communications Grants, Public Law 111-96
- *PSIC Grant Program Guidance and Application Kit*, August 16, 2007
- NTIA PSIC Grant Program Allowable Cost Matrix
- NTIA PSIC Grant Program Frequently Asked Questions
- OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*
- OMB Circular A-133, Compliance Supplement, CFDA 11.555

- Special Award Conditions
- Department of Commerce Financial Assistance Standard Terms and Conditions
- DHS, Office of Grant Operations, Financial Management Guide

We obtained an understanding of the management controls of PEMA by interviewing PEMA officials, examining policies and procedures, reviewing written assertions of PEMA officials, and examining the state of Pennsylvania's most recent OMB Circular No. A-133 audit report. We did not rely on the accounting firm's internal control reviews but instead determined that we could better meet our audit objectives through testing of PSIC transactions.

We verified the validity and reliability of computer-processed data supplied by PEMA by directly testing data against supporting documentation. Based on our tests, we concluded the computerized data was reliable for use in meeting our objectives.

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.

We performed this audit under authority of 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: Summary of Source and Application of Funds

**PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NO. 2007-GS-H7-0028
OCTOBER 1, 2007, THROUGH DECEMBER 31, 2008**

	Approved <u>Budget</u> (a)	Receipts & <u>Expenses</u> (b)
<u>SOURCE OF FUNDS:</u>		
Federal	\$34,190,555	\$346,850
Nonfederal	<u>33,062,421</u>	<u>0</u>
Total	<u>\$67,252,976</u>	<u>\$346,850</u>

APPLICATION OF FUNDS:

Investment 1	\$927,500	\$2,205
Investment 2	935,000	0
Investment 3	2,511,250	1,760
Investment 4	33,262,546	0
Investment 5	4,946,298	0
Investment 6	10,208,879	657
Investment 7	4,255,000	0
Investment 8	6,159,701	0
Investment 9	1,090,000	0
Investment 10	1,372,257	0
Statewide Planning	302,400	240,000
M&A Costs	<u>1,282,145</u>	<u>102,228</u>
Total	<u>\$67,252,976</u>	<u>\$346,850</u>

Notes:

(a) Approved budgeted costs are for the period of October 1, 2007, through September 30, 2011, based on Pennsylvania's approved investment justification.

(b) Receipts and expenses are for the period of October 1, 2007, through December 31, 2008.

Appendix C: Summary of Financial/Compliance Audit

**PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NO. 2007-GS-H7-0028
OCTOBER 1, 2007, THROUGH DECEMBER 31, 2008**

<u>Description</u>	<u>Approved Budget</u>	<u>Costs Claimed</u>	<u>Results of Audit</u>	
			<u>Costs Questioned</u>	<u>Costs Accepted</u>
Investment 1	\$927,500	\$2,205	\$0	\$2,205
Investment 2	935,000	0	0	0
Investment 3	2,511,250	1,760	0	1,760
Investment 4	33,262,546	0	0	0
Investment 5	4,946,298	0	0	0
Investment 6	10,208,879	657	0	657
Investment 7	4,255,000	0	0	0
Investment 8	6,159,701	0	0	0
Investment 9	1,090,000	0	0	0
Investment 10	1,372,257	0	0	0
Statewide Plan	302,400	240,000	0	240,000
M&A Costs	<u>1,282,145</u>	<u>\$102,228</u>	<u>0</u>	<u>102,228</u>
Total	<u>\$67,252,976</u>	<u>\$346,850</u>	<u>\$0</u>	<u>\$346,850</u>

Federal Funds Disbursed		\$346,850
Costs Incurred	\$346,850	
Less Questioned Costs	<u>0</u>	
Costs Accepted	<u>346,850</u>	
Less Matching Share	<u>0</u>	
Federal Funds Earned		<u>346,850</u>
Refund Due the Government		<u>\$0</u>

Appendix D: Recipient Response

Commonwealth of Pennsylvania



PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY

Jeffrey A. Thomas
Deputy Director for Administration

February 9, 2010

Mr. John Bunting
Regional Inspector General for Audits
United States Department of Commerce
Office of Inspector General
Denver Regional Office of Audits
999 18th Street, Suite 765
Denver, Colorado 80202-2499

RE: U.S. Department of Commerce, Office of the Inspector General Audit Report DEN-19429; National Telecommunications and Information Administration; Federal Fiscal Year (FFY) 2007 Public Safety Interoperable Communications (PSIC) Grant Award 2007-GS-H7-0028; Catalog of Federal Domestic Assistance (CFDA) Number 11.555

Dear Mr. Bunting:

This is in response to the Office of Inspector General Draft Report DEN-19429 conducted of the Commonwealth of Pennsylvania's Management of the FFY 2007 PSIC Grant awarded October 1, 2007.

The Pennsylvania Emergency Management Agency wishes to rescind the statement, found on page three (3) of the draft audit report, that six of the ten investments are at risk of not being completed by September 30, 2010, the original date for the end of the performance period of the grant. P.L. 111-96 was signed into law on November 6, 2009 and provides all 56 PSIC grantees a one year period of performance extension to complete approved PSIC Investment(s) no later than September 30, 2011. A memo from Ms. Carolyn Dunn, Federal Emergency Management Agency PSIC Program Manager, serves as official notification that the period of performance for award number 2007-GS-H7-0028 has been extended to September 30, 2011.

The ten investments are at various stages of completion. A synopsis of their progress follows:

Investment 1 - Mutual Aid Gateways and Public Safety Answering Point (PSAP) Console Interfaces is 67% complete

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Mr. John Bunting
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- Investment 2 – Deployable Interoperability Communications Trailers is 89% complete
- Investment 3 – Deployable Interoperability Communications Systems and PSAP Console Interface is 38% complete
- Investment 4 – 800 MHz Trunked System Upgrade to IP P25 System is 35% complete
- Investment 5 – PSAP Microwave Connectivity is 31% complete
- Investment 6 – Develop P25 Standards-Based Countywide Communications System is 47% complete
- Investment 7 – Statewide Multiple Protocol Label Switching (MPLS) Microwave Upgrade is 67% complete
- Investment 8 – Statewide UHF and VHF Overlay Systems is 46% complete
- Investment 9 – STARNet PSAP Console Interface is 54% complete
- Investment 10 – Deployable Vehicle Tactical (VTAC) Radio Repeater Systems is 73% complete

The most significant challenges facing the completion of the investments are vendor delivery delays and Federal Communications Commission (FCC) delays in licensing.

Should you have any questions or concerns, please contact Ms. Sharon Topper, Division of Grants Management at 717-651-2013 or shtopper@state.pa.us.

Sincerely,



Jeffrey A. Thomas
Deputy Director for Administration

cc: Mr. Lawrence Strickling, Assistant Secretary for Communications and Information,
National Telecommunications and Information Administration

Ms. Tracey Trautman, Deputy Assistant Administrator, Grant Programs Directorate