

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



*National Telecommunications
and Information
Administration*

*Nevada Public Safety
Interoperable
Communications Grant
PSIC Award No. 2007-GS-H7-0015*

*Final Audit Report No. DEN-19431
September 2009*

FOR PUBLIC RELEASE

Denver Regional Office of Audits





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

SEP 29 2009

Mr. Jerry Hafen
Director
Nevada Department of Public Safety
Division of Emergency Management
2478 Fairview Drive
Carson City, NV 89701

Dear Mr. Hafen:

Enclosed is a copy of final audit report number, DEN-19431, prepared by our Denver Regional Office concerning the Public Safety Interoperable Communications (PSIC) grant awarded to your agency (award number 2007-GS-H7-0015) by the National Telecommunications and Information Administration (NTIA).

This letter is notice of your opportunity to review the report and develop a complete response that addresses each audit finding and recommendation. If you believe the report is incorrect, or if you disagree with any findings or recommendations, it is important that you explain the error or your reasons for disagreement and either submit evidence to the Department supporting your contentions or reference any such evidence submitted previously. You also should explain how each documentary submission supports your position; otherwise, we may be unable to assess the information.

Your response must be postmarked no later than October 29, 2009. There will be no extensions to this deadline, and you will have no other opportunity to submit comments, arguments, or documentation before the Department makes a decision on the audit findings and recommendations. The Department will consider your complete response in determining what action to take with respect to our audit. Enclosure 1 explains administrative dispute procedures available to you.

As you prepare your response, if you have any questions about this report or the process by which the Department reaches a final decision, please call Marie Barton, our acting Denver regional inspector general for audits, at (303) 312-7662 and reference final audit report number DEN-19431.

Please send your response (including documentary evidence) to

Lawrence E. Strickling
Assistant Secretary for Communications and Information
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Please send a copy of your response letter only to

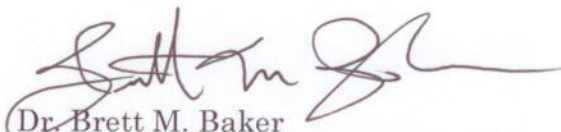
W. Ross Ashley
Assistant Administrator
Grant Programs Directorate
FEMA
500 C Street, S.W.
Washington, D.C. 20472-3615

Dr. Brett M. Baker
Assistant Inspector General for Audit
U.S. Department of Commerce
Office of Inspector General
1401 Constitution Avenue, N.W., Room 7886B
Washington, D.C. 20230

Marie Barton
Acting Regional Inspector General for Audits
U.S. Department of Commerce
Office of Inspector General
Denver Regional Office of Audits
999 18th Street, Suite 765
Denver, CO 80202-2499

After evaluation of your response, the audit action official may provide you with further guidance or request clarification. Our final 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 (w/o encl): Laura M. Pettus, NTIA PSIC program manager
Carolyn P. Dunn, DHS/FEMA Grant Programs Directorate
Paul Townsend, Nevada legislative auditor

NOTICE TO AUDITEES
Financial Assistance Audits

1. Audit requirements applicable to a particular financial assistance award may be established by law, regulation, policy, or the terms of the recipient's financial assistance agreement with the Department of Commerce.
2. Audit results will be reported to the bureau or office administering the financial assistance award and to you (the recipient/auditee), unless the Department's inspector general determines it is in the government's interest to withhold the audit report.
3. Audit results may lead to adverse consequences for you, including the following actions (which are subject to applicable laws and regulations):
 - suspension and/or termination of current awards;
 - referral of identified problems to other federal funding agencies and entities as deemed necessary for remedial action;
 - denial of eligibility for future awards;
 - cancellation of authorization for advance payment and substitution of reimbursement by check;
 - establishment of special conditions in current or future awards; and,
 - disallowance of costs, which could result in a reduction in the amount of federal payments, withholding of payments, offset of amounts due the government against amounts due you, or establishment of a debt and appropriate debt collection follow-up (including referrals to collection agencies).

Because of these and other possible consequences, it is important that you take your responsibility to respond to audit findings seriously by providing explanations and evidence to support your position with respect to the disputed results.

4. You have the following opportunities to point out errors (of fact or law) that you believe were made in the audit, to explain other disagreements with audit findings and recommendations, to present evidence that supports your positions, and to dispute final determinations:
- At any time during the audit, you may bring to the attention of the auditors evidence you believe affects the auditors' work.
 - At the completion of the audit on-site, as a matter of courtesy, you will usually be given the opportunity to discuss (during an exit conference) the preliminary audit findings and to present a clear statement of your position on the significant preliminary findings, including possible cost disallowances.
 - When the draft audit report is issued, you will have the opportunity to comment and to submit evidence during the 30 days after we transmit the report to you. (We will not extend this deadline.)
 - When the final audit report is issued, you will have the opportunity to comment and to present evidence during the 30 days after we transmit the report to you. (We will not extend this deadline.)
 - When the Department issues its decision (the "Audit Resolution Determination") on the audit report's findings and recommendations, you have the right to appeal for reconsideration within 30 calendar days after receiving the Determination Letter if monies are due the government. (We will not extend this deadline.) The Determination Letter will explain the specific appeal procedures.
 - Once you file an appeal or the appeal period has expired, the Department will not accept any further submissions concerning your dispute of its decisions. If it is determined that you owe money or property to the Department, the Department will take appropriate collection action but will not thereafter reconsider the merits of the debt.


There are no other administrative appeals available in the Department.



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

SEP 29 2009

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-19431
Auditee: Nevada Department of Public Safety
Division of Emergency Management
PSIC Award No. 2007-GS-H7-0015

Attached is a copy of our final audit report on the Nevada Public Safety Interoperable Communications (PSIC) award for your action in accordance with Department Administrative Order (DAO) 213-5, *Audit Resolution and Follow-up*. Our original audit report has been sent to the recipient, who has until October 29, 2009, to submit comments and supporting documentation to you. A copy of our final audit report will be posted on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

Under DAO 213-5, you have 60 calendar days from the date of this memorandum to reach a decision on the actions you propose to take on each audit finding and recommendation and to submit an audit resolution proposal to this office. The format for the proposal is shown in Exhibit 8 of the DAO. As applicable, your written proposal must include the rationale and/or legal basis for reinstating any questioned costs in the report and should reference any supporting documentation you relied on. Your comments should also address the funds to be put to better use, if any, cited in the report. Under the DAO, the Office of Inspector General must concur with your proposal before it may be issued as a final determination and implemented. The DAO prescribes procedures for handling any disagreements this office may have with the Audit Resolution Proposal. Also, please copy us when the audit determination letter is sent to the auditee.

Please direct any questions regarding this report to Marie Barton, our acting Denver regional inspector general for audits, at (303) 312-7662 and reference the final audit 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



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

SEP 29 2009

Mr. W. Ross Ashley
Assistant Administrator
Grant Programs Directorate
FEMA
500 C Street, S.W.
Washington, D.C. 20472-3615

Dear Mr. Ashley:

Enclosed is our final audit report (DEN-19431) regarding the Public Safety Interoperable Communications (PSIC) grant awarded to the Nevada Department of Public Safety (award number 2007-GS-H7-0015) by the National Telecommunications and Information Administration (NTIA).

Our original audit report has been sent to the recipient, who has until October 29, 2009, to submit comments and supporting documentation to the Department of Commerce. NTIA will conduct the audit resolution and follow-up in accordance with Department Administrative Order (DAO) 213-5. A copy of the report will be posted on the Department of Commerce Office of Inspector General'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 Marie Barton, our acting Denver regional inspector general for audits, at (303) 312-7662 and reference the final audit report number listed above in any related correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Brett M. Baker".

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

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INTRODUCTION

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a \$12,042,417 Public Safety Interoperable Communications (PSIC) grant to the state of Nevada to enhance interoperable emergency communications. NTIA required a minimum 20 percent matching share, or \$2,516,054, (the Department of Public Safety's Division of Emergency Management's (DEM's) budgeted amount in its investment justification is \$2,516,060) from nonfederal sources for the acquisition and deployment of communications equipment, and management and administrative costs. The project period runs from October 1, 2007, to September 30, 2010, by which time all funds must be expended.

The governor of Nevada designated DEM as Nevada's state administrative agency to apply for and administer PSIC funds.¹

PSIC Program

The Digital Television and Public Safety Act of 2005 authorized NTIA, in consultation with 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 DHS, 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 Nevada grant program is among the first audits under this requirement.

In November 2008, we initiated an audit of costs claimed by DEM to determine whether it had complied with NTIA PSIC grant guidelines and Department of Homeland Security (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 \$605,113. In general, we found the recipient to be in compliance with requirements and on track to complete the project on time.

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.

FINDINGS AND RECOMMENDATIONS

I. Investment Justification on Schedule

DEM 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 six investments (table 1) and was approved on June 25, 2008. DEM anticipates completing all six by September 30, 2010.

Table 1. Investment Justification and Funding

PSIC Investment Justification	PSIC Funds Awarded	Nonfederal Match (Budgeted)	Total
1. Core Nevada Radio Systems Internet Protocol (IP)-Based Connectivity	\$ 5,114,182	\$ 1,236,046	\$ 6,350,228
2. Statewide Interoperability Training and Exercise	1,142,000		1,142,000
3. Nevada Department of Public Safety/Las Vegas Metropolitan Police Radio-to-Radio Interoperability	2,398,560	599,640	2,998,200
4. Statewide Hospital/Rural Interoperability Communication	1,000,000	140,000	1,140,000
5. Multicounty Ethernet Microwave Interconnect	1,196,000	244,450	1,440,450
6. STR-Mobile Interoperability and Satellite Communications Vehicles and Emergency Operations Center Radio Cache	932,668	231,172	1,163,840
Management and Administration	259,007	64,752	323,759
Total	\$ 12,042,417	\$ 2,516,060	\$ 14,558,477

Source: Nevada's Approved Investment Justification

States were required to include a Strategic Technology Reserve (STR) in their justifications, designed to pre-position interoperable communications or secure them in advance for immediate deployment in an emergency situation or major disaster. Nevada's Strategic Technology Reserve is investment 6.

Investment 1: Core Nevada Radio Systems IP-Based Connectivity

DEM subgranted \$5,114,182 in PSIC funds to Clark County Emergency Management and Homeland Security for this project, which requires a matching share of \$1,236,046 from nonfederal sources. There are currently four core radio systems in Nevada. This investment will allow for the purchase and installation of four IP-based radio networking switches along with the necessary fiber and microwave IP network connectivity to tie the existing radio systems to Clark County. The project is on track to be completed by September 30, 2010.

Investment 2: Statewide Interoperability Training and Exercise

DEM retained \$1,142,000 in PSIC funds for this investment, which requires no match and is intended to establish an integrated program of training, drills, and exercises to give interoperability equipment users and operators consistent, standardized knowledge and ability. At the time of our audit fieldwork, DEM had not expended any funds for this investment. The activity is scheduled to be completed by September 30, 2010.

Investment 3: Nevada Department of Public Safety/Las Vegas Metropolitan Police Radio-to-Radio Interoperability (two projects, 3A and 3B)

1. Project 3A called for procuring 200 dual-band mobile radios to establish radio-to-radio interoperability between the Nevada Department of Public Safety's Highway Patrol Division and the Las Vegas Metropolitan Police: the highway patrol division used \$608,000 in PSIC funds to purchase 160 Radios. As its matching share, it purchased another 40 radios. The radios are now being deployed to enable the Highway Patrol to interoperate with a multiband/multimode 700 MHz, IP-based, P25-capable radio system recently installed by the Las Vegas Metropolitan Police. (The division had no interoperability with the police or other public agencies in the southern part of the state prior to this project.) This project is on track to meet its completion date.

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.

2. Project 3B called for the Las Vegas Metropolitan Police to purchase equipment to enable interoperable communications among itself, the Nevada Department of Public Safety, and other agencies throughout the state. The police department used \$1,790,560 in PSIC funds to purchase 455 dual-band mobile radios and 455 antennas. As its matching share, it purchased another 990 dual-band mobile radios and 290 motorcycle mounts. The radios are now being programmed and installed. This project is scheduled for completion by September 30, 2010.



Source: Dual-band radios purchased with PSIC funds by the Las Vegas Metropolitan Police Department

Investment 4: Statewide Hospital/Rural Interoperability Plan (two projects, 4A and 4B)

1. Project 4A is intended to develop a statewide comprehensive plan and reliable communications for Nevada's hospitals to improve emergency response. DEM awarded a PSIC subgrant for \$725,000 to Clark County Emergency Management and Homeland Security, which in turn signed an "interlocal" agreement with the Nevada Hospital Association to implement the project. A matching share of \$87,000 from nonfederal sources is required, but the hospital association provided an in-kind match valued at \$100,000, which resulted in an overmatch of \$13,000. This project is scheduled to be completed by September 30, 2010.
2. Project 4B is for future system planning and engineering for rural very high frequency (VHF). The project will define current capabilities as well as develop guidance for local entities that need to move from conventional wide-band operations to an interoperable P25 compatible narrow-band radio system. The Elko County Sheriff's Department received a \$275,000 PSIC subgrant to conduct the project, which requires a nonfederal matching share of \$55,000. This project is scheduled to be completed by September 30, 2010.

Investment 5: Multicounty Ethernet Microwave Interconnect

DEM subgranted \$1,196,000 in PSIC funding to construct an Ethernet microwave backbone connecting 20 repeater sites and one building within Lyon, Storey, Carson, and Douglas counties. The backbone will interconnect six law enforcement agencies, nine fire/EMA agencies, two tribal public safety agencies, and four emergency

management departments. The project's start was delayed, but DEM anticipates it will be completed by September 30, 2010.

Investment 6: STR-Mobile Interoperability and Satellite Communications Vehicles and Emergency Operations Center Radio Cache (two projects, 6A and 6B)

1. Project 6A was for the purchase of portable communications interoperability systems for use at or near the scene of an emergency. DEM purchased three vehicles, which were being deployed at the time of our fieldwork. The project received \$721,331 in PSIC funds and required a nonfederal match of \$200,000.
2. Under project 6B, the Washoe County Division of Emergency Management and Homeland Security purchased an 800 MHz radio repeater and portable radios with 700/800 MHz frequency bands. The equipment was to be paid for with \$211,337 in PSIC funds and a nonfederal matching share of \$31,172.

II. Matching Share Requirement in Process

In its approved investment justification, DEM budgeted the required 20 percent matching share 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 the special award conditions.

We reviewed the status of DEM's match requirements. DEM and its subgrantees receiving PSIC funds are in the process of documenting the 20 percent match for each investment, which are budgeted to be met via cash and in-kind contributions. DEM's overall 20 percent match requirement equals \$2.5 million. We determined that it had committed all match, but it had not documented \$1.29 million for investments 1 and 4B.

Table 2. Status of Matching Share

Project #	PSIC Funds	Budgeted Match	Committed but Undocumented Match
1	\$ 5,114,182	\$ 1,236,046	\$ 1,236,046
2	\$ 1,142,000	\$	\$
3A	\$ 608,000	\$ 599,640 ^a	\$
3B	\$ 1,790,560	\$	\$
4A	\$ 725,000	\$ 140,000 ^b	\$
4B	\$ 275,000	\$	\$ 55,000
5	\$ 1,196,000	\$ 244,450	\$
6A	\$ 721,331	\$ 200,000	\$
6B	\$ 211,337	\$ 31,172	\$
M & A	\$ 259,007	\$ 64,752	\$
Total	\$ 12,042,417	\$ 2,516,060	\$ 1,291,046

^a Budgeted amount is for 3A and 3B.

^b Budgeted amount is for 4A and 4B.

Source: Nevada's Approved Investment Justification and DEM documents

NTIA's *PSIC Program Guidance and Application Kit*, section VI (B), requires the match to be expended at the same rate as the federal share. As of December 31, 2008, DEM had expended \$605,113 in federal funds, but it had not claimed matching share expenditures on this amount, which would have totaled \$150,234 (25 percent of \$600,937 less \$4,176 for planning and training, which do not require a match).

Recommendations

We recommend that the NTIA Assistant Secretary for Communications and Information, in conjunction with the Federal Emergency Management Agency (FEMA) Grant Programs Directorate, requires DEM to (1) document all committed matches, and (2) demonstrate that it has contributed the 20 percent matching share for PSIC expenditures by the next quarterly financial status report.

III. Compliance with Grant Terms and Conditions

A. Financial Status Reporting Requirement Has Been Met

We reviewed the financial status reports (Standard Form 269) filed by DEM for the period of October 2007 through December 2008. The *PSIC Grant 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. Nevada submitted all of its financial status reports within the 30-day time period.

B. DEM Did Not Comply with Cash Drawdown Requirements

The *PSIC Grant Program Guidance and Application Kit*, Section VI, Part B, Page 31, 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. Department of Treasury. We selected 3 of Nevada's 10 cash drawdowns to verify compliance with the 30-day rule. Two of the three drawdowns we tested were in compliance; however, we found one drawdown where DEM exceeded 30 days drawing down funds prior to an expenditure or disbursement. On May 5, 2008, DEM drew down \$526,541 to pay for three STR vehicles for investment 6A (\$525,259) and other expenses (\$1,282). However, due to a delay in receiving the vehicles, they were not paid for until November 7, 2008, and January 20, 2009.

DEM did not place the drawdown funds of \$525,259 for the vehicles in an interest-bearing account, as required by PSIC regulations, and as a result, we determined imputed interest of \$5,348 is due to the government.² States are allowed to retain \$100 per year for administrative expenses for all federal grants combined; however, we allowed the full \$100 for simplicity of calculations, which results in \$5,348 funds put to better use (see table 3).

² Pursuant to 31 CFR, Section 205.19(b), interest on advances of funds not placed in interest-bearing accounts is due the government, based on the average of the U.S. Treasury Department's 13-week Treasury Bill rate during the state's fiscal year.

Table 3. Imputed Interest

Time Period	Drawdown Amount	No. of Days Interest Incurred	Interest Rate for the Period	Imputed Interest
May 5, 2008–June 30, 2008	\$525,259	56/360	1.9%	\$1,552
July 1, 2008–November 7, 2008	525,259	130/360	1.6%	3,035
November 8, 2008–January 20, 2009	419,010	74/360	1.0%	861
Total				\$5,448
Less: \$100 of Retained Interest ^a				\$100
Imputed Interest Owed by DEM				\$5,348

^a States may retain \$100 per year for administrative expenses for all federal grants combined.

Source: DEM documents and computations based on treasurydirect.gov 13-week Treasury Bill rates

Recommendations

We recommend that the NTIA Assistant Secretary for Communications and Information, in conjunction with the FEMA Grant Programs Directorate, require DEM to (1) monitor cash drawdowns, (2) put funds not spent within 30 days in an interest-bearing account, and (3) return imputed interest of \$5,348 to the U.S. Department of Treasury.

Funds to Be Put to Better Use

The return of imputed interest on the advance drawdown of \$525,259 PSIC funds will permit \$5,348 to be put to better use.

C. DEM Complied with 80 Percent Pass-Through Requirement

DEM passed through \$9.9 million (82 percent) of the \$12 million in PSIC federal funds, 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. DEM complied with this requirement as well (see table 4).

Table 4. DEM's Pass-Through Activity

	Total Pass-Through	State Funds Retained	Total Federal Funds
Investment 1	\$5,114,182		\$5,114,182
Investment 2		1,142,000	1,142,000
Investment 3	2,398,560		2,398,560
Investment 4	1,000,000		1,000,000
Investment 5	1,196,000		1,196,000
Investment 6	211,337	721,331	932,668
M&A Costs		259,007	259,007
Total	\$9,920,079 (82 %)	\$2,122,338 (18%)	\$12,042,417 (100%)

Source: DEM documents

Six awards (investments 1, 3A, 3B, 4A, 5, and 6B) were passed through to subrecipients within 60 days of investment justification approval; however, pass-through for one award—\$275,000 to the Elko County Sheriff's Department (investment 4B)—took 126 days. We accepted DEM's explanation that this was due to a change in the subrecipient.

DEM retained \$2.1 million (18 percent) to complete statewide training (investment 2) and one STR project (investment 6A), and for management and administration costs.

IV. Reasonable and Allowable Costs Claimed

DEM claimed costs of \$605,113 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).

V. Prior DEM Audit Recommendations

We met with the Nevada legislative auditor to discuss our audit of the PSIC grant at DEM. We reviewed the state's single-audit report for the year ended June 30, 2007, and found no issues that would materially affect the PSIC grant program.

We also reviewed a 2008 report of an audit of DEM conducted by the legislative auditor's office for the period July 1, 2005, through December 31, 2006, including certain activities through 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. DEM did not have an effective process to track emergency equipment purchased by state and local agencies for one of its federal grant programs.
2. DEM had not established management controls to help ensure compliance with state and department policies and procedures.

DEM told us it is in the process of completing a set of procedures relating to the location and use of the three STR vehicles. The agency also hired an individual solely to manage the PSIC grant. Our review of DEM PSIC files indicates that agency oversight of the grant is adequate.

VI. Best Practices

We found several notable practices in DEM's administration of the PSIC program:

1. Its documentation of funding and spending was in very good order, which facilitated the audit process.
2. The decision to hire an individual to oversee only the PSIC grant and subgrantees enabled the agency to establish a good oversight mechanism. The individual is organized and committed to safeguarding PSIC funds.
3. DEM is committed to ensuring that no PSIC funds are disbursed to subrecipients without proper and complete documentation of expenditures and match. DEM will not accept requests for reimbursement from subgrantees whose spending documentation is insufficient. Its PSIC files contained e-mail correspondence requesting such information when necessary. In addition, the agency management thoroughly reviews subgrantee documentation prior to reimbursement.

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		\$605,113
Costs Incurred	\$605,113	
Less: Questioned Costs	<u>0</u>	
Costs Accepted	605,113	
Less Imputed Interest	5,348	
Less Matching Share	<u>0</u>	
Federal Funds Earned		<u>599,765</u>
Refund Due the Government		<u>\$ 5,348</u>

SUMMARY OF AGENCY RESPONSE AND OIG COMMENTS

DEM did not provide a response to our draft audit report, which was due August 10, 2009. We contacted DEM to determine if it was going to respond. DEM replied that it accepts our draft audit report as written. Therefore, we reaffirm our findings and recommendations.

NTIA pointed out to us that we made an error in calculating the match on page 8 of our draft audit report because we included planning and training costs in our match calculation, and those costs do not require a match. We corrected the error in this final report, and the recalculation does not affect our findings.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the Nevada Department of Public Safety, Division of Emergency Management's use of PSIC grant funds met federal requirements. In particular, we assessed whether DEM (1) is on track to complete its interoperable communications investments by September 30, 2010; (2) met the 20 percent match for acquiring and deploying interoperable communications equipment; (3) claimed reasonable and allowable 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 audit fieldwork from November 2008 through January 2009 at DEM in Carson City, Nevada, and at subrecipient sites in Reno, Las Vegas, and Minden, Nevada.

To meet our objectives, we

- reviewed investment documentation and discussed each investment with officials from DEM and officials overseeing several of the individual investments;
- analyzed source documents related to the minimum 20 percent match for acquiring and deploying interoperable communications equipment;
- traced costs claimed to source documentation;
- interviewed DEM officials, including the Nevada state legislative auditor, and reviewed the state's OMB Circular No. A-133 audit report for the year ending June 30, 2007, and a Nevada State Legislative audit report on DEM dated September 10, 2008; and
- reviewed pertinent laws, regulations, and guidance (listed below) against DEM's PSIC activities and internal controls.

Laws/Regulations Reviewed:

- 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
- *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 verified the validity and reliability of computer-processed data supplied by DEM by the direct test of data against supporting documentation. Based on our tests, we concluded the computerized data was reliable for use in meeting our 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; and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient 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.

APPENDIX B: SUMMARY SOURCE AND APPLICATION OF FUNDS

**NEVADA DEPARTMENT OF PUBLIC SAFETY,
DIVISION OF EMERGENCY MANAGEMENT
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NUMBER 2007-GS-H7-0015
OCTOBER 1, 2007, THROUGH DECEMBER 31, 2008**

	<u>Approved Budget</u> (a)	<u>Receipts & Expenses</u> (b)
<u>SOURCE OF FUNDS:</u>		
Federal	\$12,042,417	\$605,113
Nonfederal	<u>2,516,060</u>	<u>0</u>
Total	<u>\$14,558,477</u>	<u>\$605,113</u>
<u>APPLICATION OF FUNDS:</u>		
Investment 1	\$ 6,350,228	\$ 0
Investment 2	1,142,000	1,142
Investment 3A	1,207,640	0
Investment 3B	1,790,560	0
Investment 4A	865,000	0
Investment 4B	275,000	0
Investment 5	1,440,450	0
Investment 6A	921,331	528,293
Investment 6B	242,509	0
M&A Costs	<u>323,759</u>	<u>75,678</u>
Total	<u>\$14,558,477</u>	<u>\$605,113</u>

Notes:

- (a) Approved budgeted costs are for the period of October 1, 2007, through September 30, 2010, based on Nevada'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

NEVADA DEPARTMENT OF PUBLIC SAFETY,
DIVISION OF EMERGENCY MANAGEMENT
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NUMBER 2007-GS-H7-0015
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	\$6,350,228	\$ 0	0	\$ 0
Investment 2	1,142,000	1,142	0	1,142
Investment 3A	1,207,640	0	0	0
Investment 3B	1,790,560	0	0	0
Investment 4A	865,000	0	0	0
Investment 4B	275,000	0	0	0
Investment 5	1,440,450	0	0	0
Investment 6A	921,331	528,293	0	528,293
Investment 6B	242,509	0	0	0
M&A Costs	<u>323,759</u>	<u>75,678</u>	<u>0</u>	<u>75,678</u>
Total	<u>\$14,558,477</u>	<u>\$605,113</u>	<u>\$0</u>	<u>\$605,113</u>

Federal Funds Disbursed		\$605,113
Costs Incurred	\$605,113	
Less: Questioned Costs	<u>0</u>	
Costs Accepted	605,113	
Less Imputed Interest	5,348	
Less Matching Share	<u>0</u>	
Federal Funds Earned		<u>599,765</u>
Refund Due the Government		<u>\$ 5,348</u>