




August 10, 2010

MEMORANDUM

TO: Lawrence E. Strickling
Assistant Secretary for Communications and Information
National Telecommunications and
Information Administration (NTIA)

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

SUBJECT: Audit of the Public Safety Interoperable Communications (PSIC)
grant to the state of New York
Award No. 2007-GS-H7-0039
Final Audit Report No. DEN-19674

The Digital Television Transition and Public Safety Act of 2005 authorized NTIA, in consultation with the Department of Homeland Security, 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 Implementing Recommendations of the 9/11 Commission Act of 2007 required the Department of Commerce's Office of Inspector General to conduct financial audits of a representative sample of grant recipients, for a total of 25 grantees over the 4-year grant period. This report is for the audit of the PSIC grant to the state of New York.

Background

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a \$60,734,783 PSIC grant to the state of New York to enhance interoperable emergency communications. A total of \$56,190,483 of the grant required nonfederal matching contributions. Federal funds provided for acquisition and deployment of communications equipment, and management and administration (M&A) costs must be matched by nonfederal contributions of at least 20 percent of the total costs of those activities. Statewide planning, planning and coordination, and training costs do not require matching share. The \$56,190,483 provided for acquisition and deployment and M&A represents 80 percent of the total costs of those activities, leaving a minimum nonfederal matching share requirement of \$14,047,621.

The original award period was from October 1, 2007, to September 30, 2010.

On November 6, 2009, the President signed Public Law 111-96, which extended the PSIC program beyond its original expiration date of September 30, 2010. The new law extended the performance period of all PSIC grants through September 30, 2011, and allowed for additional extensions, through September 2012, on a case-by-case basis, if approved by the Assistant Secretary for Communications and Information. The governor of New York designated the New York State Office of Homeland Security (NYSOHS) as New York's state administrative agency (SAA) to apply for and administer PSIC funds.¹ The investment justification had a total of 10 investments (see table 1) and received final NTIA approval on June 25, 2008.

Table 1: Investment Justification and Funding

PSIC Investment Justification	PSIC Funds Awarded	Nonfederal Match (budgeted)	Total
1. New York State Strategic Technology Reserve	\$4,703,820	\$1,150,955	\$5,854,775
2. Region 1: Monroe, Wayne, and Seneca Counties	4,236,519	1,059,380	5,295,899
3. Region 2: City of Watertown and Tompkins and Rockland Counties	2,711,040	677,760	3,388,800
4. Region 3: Orange and Ontario Counties	1,821,060	380,640	2,201,700
5. Region 4: Erie County	1,612,439	403,110	2,015,549
6. Region 5: Otsego and Allegany Counties	2,035,916	506,979	2,542,895
7. The Metropolitan Transit Authority/New York City Transit Authority Interoperable Radio Network	26,312,602	5,734,400	32,047,002
8. Port Authority Trans-Hudson Interoperability System	1,000,000	200,000	1,200,000
9. The New York City Urban Area Regional Internet Protocol Gateway and Radio Cache	7,500,000	1,875,000	9,375,000
10. Technical Interoperability Project	8,289,387	2,072,347	10,361,734
Statewide Planning	412,000	0	412,000
M&A	100,000	25,000	125,000
Total	\$60,734,783	\$14,085,571	\$74,820,354

Source: New York's approved budget modification

States were required to include a prescribed strategic technology reserve in their justifications. The strategic reserve is designed to preposition, or secure in advance, interoperable communications equipment for immediate deployment in an emergency situation or major disaster. New York's prescribed strategic reserve amount was \$4,703,820, and appears as investment 1.

¹ The PSIC program requires the governor of each state or territory to designate an SAA to apply for 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.

Findings

NYSOHS asserts that all 10 of its investments are on schedule to be completed by September 30, 2011. We found nothing that would lead us to believe the individual investments would not be completed on schedule. In addition, the budgeted matching share of \$14,085,571 is sufficient to cover the minimum required matching share of \$14,047,621.

NYSOHS claimed total costs of \$124,771, including nonfederal matching share expenses of \$51,969, as of June 30, 2009. We determined that the costs claimed were reasonable, allowable, and allocable according to PSIC grant regulations. (See attachments B and C.)

NYSOHS generally complied with PSIC requirements related to financial status reporting, cash drawdowns, and pass-through of federal funds to local agencies. We have no adverse findings or recommendations for corrective action.

cc: Thomas Gallagher, Program Manager, New York Office of Homeland Security
Eric Abramson, Program Representative, New York Office of Homeland Security
Thomas DiNapoli, State Comptroller, Office of the State Comptroller
Patrice Russell, Principal Accountant, New York Office of Homeland Security,
Federal Fiscal Unit
Laura M. Pettus, NTIA PSIC Program Manager
Daniel E. Meyerson, J.D., NTIA PSIC Communications Program Specialist
Carolyn P. Dunn, DHS/FEMA Grant Programs Directorate

ATTACHMENT A: OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the NYSOHS was using its grant funds in accordance with federal requirements. In particular, we assessed whether NYSOHS (1) was on track to complete its interoperable communications investments by September 30, 2011; (2) met the 20 percent match for acquiring and deploying interoperable communications equipment, and M&A 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 June 30, 2009. We conducted our audit fieldwork from May 2009 through October 2009 at NYSOHS in Albany, New York, and at grant subrecipient sites in Buffalo and Rochester, New York, and New York City.

To meet our objectives, we did the following:

- reviewed investment documentation and discussed each investment with officials from NYSOHS 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 NYSOHS officials, individual investment officials, and New York's state comptroller, and reviewed the state's OMB Circular No. A-133 audit report for the year ending March 31, 2008; and
- reviewed pertinent laws, regulations, and guidance (listed below) against NYSOHS's PSIC activities and internal controls.

We evaluated NYSOHS'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
- 15 CFR, Part 24, Uniform Administrative Requirements for Grants and Agreements to State and Local Governments
- *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 gained an understanding of the management controls of NYSOHS by interviewing NYSOHS officials, examining policies and procedures, and examining the state of New York's most recent OMB Circular No. A-133 audit report for the year ending March 31, 2008. 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 NYSOHS 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 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.

ATTACHMENT B: SUMMARY SOURCE AND APPLICATION OF FUNDS

**NEW YORK STATE,
OFFICE OF HOMELAND SECURITY
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NUMBER 2007-GS-H7-0039
OCTOBER 1, 2007, THROUGH JUNE 30, 2009**

	<u>Approved Budget</u> (a)	<u>Receipts & Expenses</u> (b)
<u>SOURCE OF FUNDS:</u>		
Federal	\$60,734,783	\$72,802
Nonfederal	<u>14,085,571</u>	<u>51,969</u>
Total	<u>\$74,820,354</u>	<u>\$124,771</u>
<u>APPLICATION OF FUNDS:</u>		
Investment 1	\$ 5,854,775	\$ 0
Investment 2	5,295,899	0
Investment 3	3,388,800	0
Investment 4	2,201,700	61,343
Investment 5	2,015,549	0
Investment 6	2,542,895	63,428
Investment 7	32,047,002	0
Investment 8	1,200,000	0
Investment 9	9,375,000	0
Investment 10	10,361,734	0
Planning and M&A	<u>537,000</u>	<u>0</u>
Total	<u>\$74,820,354</u>	<u>\$124,771</u>

Notes:

- (a) Approved budgeted costs are for the period of October 1, 2007, through September 30, 2011, based on New York's approved budget modification.
- (b) Receipts and expenses are for the period of October 1, 2007, through June 30, 2009, obtained from SAA and subrecipients from investments 4 and 6.

ATTACHMENT C: SUMMARY OF FINANCIAL/COMPLIANCE AUDIT

**NEW YORK STATE,
OFFICE OF HOMELAND SECURITY
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NUMBER 2007-GS-H7-0039
OCTOBER 1, 2007, THROUGH JUNE 30, 2009**

<u>Results of Audit</u>	<u>Approved Budget</u>	<u>Costs Claimed</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
Investment 1	\$5,854,775	\$0	\$0	\$0
Investment 2	5,295,899	0	0	0
Investment 3	3,388,800	0	0	0
Investment 4	2,201,700	61,343	0	61,343
Investment 5	2,015,549	0	0	0
Investment 6	2,542,895	63,428	0	63,428
Investment 7	32,047,002	0	0	0
Investment 8	1,200,000	0	0	0
Investment 9	9,375,000	0	0	0
Investment 10	10,361,734	0	0	0
Planning and M&A	<u>537,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total	 <u>\$74,820,354</u>	 <u>\$124,771</u>	 <u>\$0</u>	 <u>\$124,771</u>
 Federal Funds Disbursed		\$72,802		
Costs Incurred	\$124,771			
Less: Questioned Costs	<u>0</u>			
Costs Accepted	\$124,771			
Less Matching Share	<u>51,969</u>			
Federal Funds Earned		<u>72,802</u>		
 Refund Due the Government		 <u>\$ 0</u>		