

*National Telecommunications
and Information Administration*

*Third Annual Assessment of the
Public Safety Interoperable
Communications Grant Program:
NTIA and FEMA Need to Improve
Oversight of PSIC Grants*

*Final Report No. OIG-12-008-A
November 10, 2011*

FOR PUBLIC RELEASE

Office of Audit and Evaluation

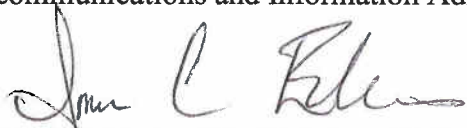




UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

November 10, 2011

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: *Third Annual Assessment of the Public Safety Interoperable
Communications Grant Program*
Final Audit Report No. OIG-12-008-A

We have attached our final audit report detailing the results of our third annual assessment of NTIA's management of the Public Safety Interoperable Communications (PSIC) grant program as required by the Implementing Recommendations of the 9/11 Commission Act of 2007.

Our audit covered the fiscal year ended September 30, 2010, with selected data through June 30, 2011. We focused on NTIA's management of the PSIC program to determine whether (1) NTIA effectively meets its responsibility to monitor the grants and ensure the achievement of PSIC program goals and (2) FEMA effectively fulfills its responsibilities to provide grant services.

We found that NTIA and FEMA need to improve their grantee monitoring. Neither NTIA nor FEMA effectively monitored and addressed grantee equipment purchases and operating capability, matching share issues, or progress toward meeting program goals. We also found that certain grantees with low drawdowns may be at risk of not completing their projects by September 30, 2012.

We received responses to our draft report from NTIA and FEMA. We modified this final report as needed to address the agencies' comments, summarized the comments in the report, and included the formal responses as an appendix. The final report will be posted on OIG's website pursuant to section 8L of the Inspector General Act of 1978, as amended.

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 recommendations. 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
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, Audit Liaison, NTIA
Kathy Smith, Chief Counsel, NTIA
Laura Pettus, PSIC Program Manager
Daniel Meyerson, JD, Communications Program Specialist, NTIA



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

November 10, 2011

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

Dear Ms. Harman:

We have attached our final audit report detailing the results of our third annual assessment of NTIA's management of the Public Safety Interoperable Communications (PSIC) grant program as required by the Implementing Recommendations of the 9/11 Commission Act of 2007.

Our audit covered the fiscal year ended September 30, 2010, with selected data through June 30, 2011. We focused on NTIA's management of the PSIC program to determine whether (1) NTIA effectively meets its responsibility to monitor the grants and ensure the achievement of PSIC program goals and (2) FEMA effectively fulfills its responsibilities to provide grant services.

We found that NTIA and FEMA need to improve their grantee monitoring. Neither NTIA nor FEMA effectively monitored and addressed grantee equipment purchases and operating capability, matching share issues, or progress toward meeting program goals. We also found that certain grantees with low drawdowns may be at risk of not completing their projects by September 30, 2012.

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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,

A handwritten signature in dark ink, appearing to read "Ann C. Eilers".

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

Enclosure

cc: Charles K. Edwards, Acting Inspector General, DHS
David Turner, PSIC Program Manager, DHS/FEMA
Mildred Lloyd, Grant Programs Directorate Audit Liaison, DHS/FEMA
Mike Sivi, DHS OIG



Report In Brief

U.S. Department of Commerce Office of Inspector General

November 10, 2011



Why We Did This Review

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

Background

The Digital Television Transition and Public Safety Act of 2005 (the Act) 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 awarded PSIC grants to all states and 5 territories and the District of Columbia ranging from \$692,000 to \$94.0 million and averaging \$17.3 million. The goals of the PSIC program are to (1) achieve meaningful and measureable improvements in public safety and (2) fill interoperability gaps identified in statewide plans.

DHS, in cooperation with NTIA, provides grants management services for the PSIC program; the Federal Emergency Management Agency (FEMA) handles the DHS responsibilities. PSIC program funding has been extended until expended—but not beyond September 30, 2012.

Third Annual Assessment of the Public Safety Interoperable Communications Grant Program: NTIA and FEMA Need to Improve Oversight of PSIC Grants (OIG-12-008-A)

What We Found

We found that NTIA and FEMA need to improve their grantee monitoring. Neither NTIA nor FEMA adequately monitored and addressed:

- *PSIC equipment purchases and operating capability.* Even though approximately 90 percent of the PSIC program will fund the purchase and deployment of equipment, we found no evidence that NTIA or FEMA had procedures in place to specifically monitor whether equipment purchased with PSIC funds is appropriate, has been tested, operates as planned, and improves communication interoperability.
- *Matching share issues.* A review of December 2009–June 2011 financial reports indicated that not all grantees were providing matching shares at the same rate as their federal expenditures.
- *Progress towards meeting program goals.* At the time of our audit, NTIA and FEMA did not have documented plans to track (through onsite or office-based monitoring) the achievement of milestones and project goals for grantees.

We also found that certain grantees with low drawdowns may be at risk of not completing their projects by September 30, 2012.

NTIA and FEMA also intended to evaluate the success of the PSIC program by having grantees provide evidence of improvements in interoperability at the completion of (rather than during) each grant period. In this scenario, however, issues discovered after grant funds have been expended will be difficult to correct, decreasing the likelihood of the program's success.

What We Recommended

We recommend that the Assistant Secretary for Communications and Information, in coordination with the Assistant Administrator, FEMA Grants Program Directorate:

1. Implement a plan that provides for the active monitoring of equipment and its operational capability.
2. Develop a formal document for grantees that reconciles all existing guidance on proportionality and emphasize close monitoring to ensure that matching share requirements will be met.
3. Actively monitor and document grantee progress towards achieving program goals, including the achievement of updated milestones for grantees that requested an extension until September 2012
4. Provide evidence to the OIG quarterly that those grantees with less than 50 percent drawdowns as of September 30, 2011, are being actively monitored through closeout.

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Introduction

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

The Digital Television Transition and Public Safety Act of 2005 (the Act) 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 awarded PSIC grants to all states and 5 territories and the District of Columbia ranging from \$692,000 to \$94.0 million and averaging \$17.3 million. The goals of the PSIC program, according to NTIA's revised *PSIC Grant Program Guidance and Application Kit*,¹ are to (1) achieve meaningful and measureable improvements in public safety and (2) fill interoperability gaps identified in statewide plans. In February 2007 NTIA and DHS signed a memorandum of understanding under which DHS, in cooperation with NTIA, provides grants management services for the PSIC program. DHS responsibilities include:

- developing policies and procedures;
- providing grantees technical assistance in meeting programmatic and financial requirements;
- monitoring grantees' technical and financial performance, including the collection of appropriate reports; and
- conducting site visits to verify progress and completion of funded projects.

Federal Emergency Management Agency (FEMA) handles the DHS responsibilities under the memorandum of understanding. FEMA directly oversees more than 80% of all DHS grants, and is the principal component within DHS responsible for preparing state and local governments to prevent, protect against, respond to, and recover from incidents of terrorism and other catastrophic events. The Act established that funds for the PSIC program would only be available until September 30, 2010. However, the President signed Public Law 111-96 on November 6, 2009, extending funding until expended, but not beyond September 30, 2012. The new law also extended the performance period of all PSIC grants through fiscal year (FY) 2011, and allowed for additional extensions, through FY 2012, on a case-by-case basis, if approved by the Assistant Secretary for Communications and Information.

This report details our third annual assessment of NTIA's PSIC grants management, including the role of FEMA, for the fiscal year that ended September 30, 2010, with selected updates

¹ National Telecommunications and Information Administration and Federal Emergency Management Agency, August 16, 2007. *Revised PSIC Program Guidance and Application Kit*, 2 [Online]. www.ntia.doc.gov/psic/PSICguidance_081607.pdf (accessed August 9, 2011).

through September 2011. Our audit focused on NTIA's management of the PSIC program to determine whether NTIA effectively meets its responsibility to monitor the grants and ensure the achievement of PSIC program goals and FEMA effectively fulfills its responsibilities, as outlined in the memorandum of understanding to provide grant services. A complete outline of our objectives, scope, and methodology appears in appendix A.

Findings and Recommendations

I. NTIA and FEMA Need to Improve Oversight of PSIC Grants

NTIA and FEMA need to improve their PSIC grantee monitoring, particularly related to:

- the purchase and operating capability of PSIC project equipment,
- addressing matching share issues, and
- monitoring program goals including achievement of milestones.

We also found that certain grantees with low drawdowns may be at risk of not completing their projects by September 30, 2012. In addition, NTIA and FEMA stated that they intend to evaluate the success of the PSIC program by having grantees provide evidence that interoperability was improved with PSIC funds at the completion of each grant.

We do not consider NTIA's and FEMA's current monitoring plan and the delay in addressing grantee success to be timely and adequate monitoring. Issues discovered under this approach may prove difficult to correct, decreasing the likelihood of success for grantees in their communications operations.

We also noted that both NTIA and FEMA previously issued several documents summarizing standard technical assistance issues and have provided prompt responses to grantees via e-mail and telephone. Our review of technical assistance provided did not find any areas of concern.

Grant monitoring is a critical management tool to determine whether grantees have appropriately implemented a program, achieved objectives, and properly expended funds. The revised *PSIC Program Guidance and Application Kit*² dated August 16, 2007, states that both NTIA and DHS program staff will monitor grant recipients and subrecipients. It further explains that monitoring will be accomplished through a combination of office-based and onsite monitoring visits to ensure that grantees are meeting the project goals, objectives, performance requirements, timelines, milestone completion, budgets, and other related program criteria. As discussed in the introduction, NTIA and DHS signed a memorandum of understanding in February 2007 providing that DHS (through FEMA) will oversee and administer the PSIC program. In turn, FEMA contracted with Booz Allen Hamilton (BAH) to assist with these activities. NTIA and FEMA monitoring activities to date have focused primarily on grant-related administrative and financial requirements and not on measuring improvements or the achievement of program goals.

² See page 35.

A. NTIA and FEMA Need to Improve Their Monitoring of PSIC Equipment Purchases and Operational Capability

According to NTIA's online guide, *Improving Interoperable Communications Nationwide: Overview of Initial State and Territory Investments*³, PSIC grantees plan to spend over \$800 million (more than 90% of PSIC funds) on acquisition and deployment of equipment. The revised *PSIC Program Guidance and Application Kit*⁴ states that the DHS Authorized Equipment List applies to the PSIC grant program—and that agencies purchasing Project 25- (P25-) compliant equipment must obtain documented evidence from the manufacturer that the equipment has passed all applicable compliance test procedures.

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.

Despite the fact that approximately 90 percent of the PSIC program funds will be used for the purchase and deployment of equipment, at the time of our fieldwork the FEMA grant files did not contain evidence that NTIA or FEMA had procedures in place to specifically monitor whether equipment purchased with PSIC funds is appropriate, has been tested, operates as planned, and improves communication interoperability. After presenting this issue, FEMA stated that reviews of state agencies are performed by its program analysts and that PSIC programs are included in these reviews. PSIC is only 1 of 10 preparedness grant programs; grants of various types for a particular state agency can number up to 30. We asked for a sample of six state agency reviews by program analysts. FEMA provided five; the sixth had not been subject to the review. These reviews focused on capability improvements at the state agency level and not specific equipment purchases and operational capabilities and functionalities. Both agencies stated that it is the grantees' responsibility to ensure that equipment works as intended and that the agencies will conduct a review only as part of the grant close-out procedures.

PSIC requires grantees to compile a disposition report detailing equipment purchases, ownership, and purpose as part of the close-out procedures. However, NTIA and FEMA should implement a plan that provides for the specific monitoring of PSIC equipment and its operational capability.

B. NTIA and FEMA Need to Improve Their Monitoring of Matching Share Issues

A review of several Federal Financial Reports (FFR 425) from December 2009 to June 2011 indicated that not all grantees were providing matching shares at the same rate as their federal expenditures. Certain grantees had not reported any match on consecutive financial reports and other grantees were not reporting match in proportion to federal drawdowns.

There is conflicting grant guidance on the proportionality issue. The *PSIC Program Guidance and Application Kit*⁵ states that "grantees will only be permitted to draw down PSIC funds in

³ NTIA, November 2008. *Improving Interoperable Communications Nationwide: Overview of Initial State and Territory Investments*, 1 [Online]. www.ntia.doc.gov/legacy/psic/background.html (accessed August 9, 2011).

⁴ See pages 41, 43.

⁵ See page 31.

proportion to demonstrated non-federal matching funds” and NTIA and FEMA’s *Program Management Handbook*⁶, states that matching funds need to be provided at a rate that is proportional to the federal funds drawn down. Special conditions of the awards state that the recipient agrees to follow the *PSIC Grant Program Guidance and Application Kit*. On the other hand, special award conditions also state that grantees need to follow FEMA’s *Financial Management Guide* which states proportionality is not required.

At the time of our audit, FEMA stated that it views proportional matching as only a guideline and that it intended to request a waiver from NTIA. Subsequent to raising the issue during our audit period, NTIA obtained an August 2011 memorandum from the Commerce Federal Assistance Law Division concluding that proportionality was not required for matching share.

Despite the conflicting guidance, NTIA and FEMA agree that monitoring match is important to achieving PSIC goals and both agencies state their intent to actively review matching share. NTIA and FEMA also assert that they review matching share on a continuous basis and have instructed grantees on how to address proportionality and comply with matching requirements. However, as mentioned above, certain grantees reported no match on consecutive financial statements. One of those grantees had a pulse check (desk review) in February 2011 and the write up provided did not indicate matching share was discussed. Additionally, a review of the grant files did not show any evidence that matching share requirements were discussed.

In addition to conflicting rules on matching share, FEMA’s reports are also in conflict. A comparison of matching share figures on the FFR 425 and biannual strategy implementation reports (BSIR) shows that grantees are reporting inconsistent amounts. The June and December reports reported matching share should be the same.

NTIA and FEMA stated that some of the grantees showing no matching share on FFR reports subsequently revised their reports to include match. However, if NTIA and FEMA allow grantees to draw down funds that are not in proportion to match, grantees may not meet overall PSIC goals. Deferring action on the matching issue for other grantees until a site visit occurs, or until final closing procedures, increases the likelihood that grantees will not meet these requirements.

C. NTIA and FEMA Are Not Adequately Monitoring Achievement of Milestones and PSIC Program Goals

The revised *PSIC Program Guidance and Application Kit*⁷ indicates that both NTIA and DHS program staff will monitor grant recipients and subrecipients. It states that monitoring will be accomplished through a combination of office-based and onsite monitoring visits to ensure that the project goals, objectives, performance requirements, timelines, milestone completion, budgets and other related program criteria are being met. It also states that monitoring will include both office-based and onsite monitoring. At the time of our entrance conference, NTIA

⁶ NTIA and FEMA, October 2009. *Program Management Handbook*, 37 [Online]. www.ntia.doc.gov/psic/PSIC_Handbook_111809.pdf (accessed August 9, 2011).

⁷ See page 35.

and FEMA did not have documented plans to track the achievement of milestones and project goals for grantees.

Office-Based Monitoring

NTIA and FEMA have performed office-based monitoring by conducting desk reviews of grantees, reviewing grantee-provided financial reports, conducting pulse checks (high-level telephone conversations to discuss individual investments), responding to grantee e-mails, and reviewing all National Environmental Policy Act- (NEPA-) related documentation. However, NTIA and FEMA have not tracked the achievement of milestones or project goals for each PSIC grantee's investment justifications. Grantee milestones included a description of objectives, a start and end date, and investment impacts describing outcomes that will determine success. Outcomes should include compelling reasons why the investment will make a difference in the communication capabilities of its stakeholders and how it improves interoperability.

Both agencies plan to:

- evaluate the success of the PSIC program by having grantees provide evidence that interoperability was improved with PSIC funds at the completion of each grant;
- maintain contact with grantees through NEPA reviews; and
- conduct limited site visits.

Because NTIA and FEMA are not actively monitoring achievement of milestones and PSIC program goals, we consider this an incomplete approach, one that increases the likelihood that awardees will not achieve PSIC program goals.

Onsite Monitoring

In response to our request for all PSIC grant monitoring reports, NTIA and FEMA provided us with information that they had performed only two PSIC monitoring site visits as of December 2010. Our subsequent examination of 12 FEMA grant files did not reveal any PSIC monitoring site visits. The two site visits for which information was provided to us focused on the NEPA approval process, the modification process, and an explanation of reporting requirements. NTIA and FEMA also provided documentation on five more site visits, conducted during March and May 2011, focused on an overview of each PSIC investment and included a review of match documentation and PSIC equipment. We were not able to evaluate the overall value of these visits, but we consider the expanded procedures to represent an improvement. During our fieldwork, NTIA and FEMA stated that they planned to conduct 11 more site visits in 2011 (as well as 12 more in 2012 and 12 as part of the close-out process) to focus on PSIC grant program investments, an assessment of outstanding environmental needs, and any outstanding issues that could help the grantee successfully implement its PSIC investments. FEMA also stated that program reviews were performed on PSIC grants by its program analysts. We asked for a copy of these reviews for the same six state agencies that we asked for as described in section A. These reports have not been provided to us. Therefore, we are not able to evaluate the effectiveness of those reviews.

Subsequent to our field work, on August 16, 2011, FEMA submitted to us a Monitoring Plan for PSIC they described as supplemental. The supplemental plan calls for 10 site visits in calendar year 2011 and none after that. It also states, in a section entitled “Proposed Activities,” that it will rely on activities in three categories: financial monitoring, email reminders (e.g., mass emails, individual follow-ups), and site visits. The plan further states that these activities will provide insight into grantees’ ability to meet established milestones and complete PSIC-funded projects by the required deadlines. The supplemental FEMA monitoring plan does not clearly address the tracking of achievement of milestones and program goals. FEMA and NTIA stated that, although there are no site visits in this plan for 2012, they still intend to conduct 12 site visits during 2012.

Also subsequent to our field work, FEMA submitted information that it had performed 9 additional site visits in the 2008 early phases of PSIC. The drawdown levels for the state agencies at the time of these site visits ranged from \$0 to \$1.2 million. None of this information was included in the FEMA grant files or in response to our request for all site visits. Because this information was dated (performed 3 years ago) and was provided to us after the close of our field work in response to our draft report, we did not evaluate these visits.

II. Certain Grantees May Be at Risk of Not Completing Projects by September 30, 2012

The PSIC grant program has granted 41 of the 56 grantees an extension until September 30, 2012, to expend funds (see appendix B). This represents 83 percent of the total PSIC federal funds. Certain grantees that have drawn down a low percentage of federal funds could find themselves in jeopardy of not completing their projects on time and be required to return unused funds to the U.S. Department of the Treasury. As of September 30, 2011, there were 8 grantees that had drawn down 50 percent or less of project funds (see appendix B). NTIA and FEMA did not express concerns with the rate of drawdowns, stating that these rates were not uncommon compared to similar grant programs.

The low drawdowns for certain grantees are reason for significant concern about the adequate oversight of grant activities and the completion of projects by the September 30, 2012 deadline.

III. Recommendations

We recommend that the Assistant Secretary for Communications and Information, in coordination with the Assistant Administrator, FEMA Grants Program Directorate:

1. Implement a plan that provides for the active monitoring of equipment and its operational capability.
2. Develop a formal document for grantees that reconciles all existing guidance on proportionality and emphasize close monitoring to ensure that matching share requirements will be met.
3. Actively monitor and document grantee progress towards achieving program goals, including the achievement of updated milestones for grantees that requested an extension until September 2012.

4. Provide evidence to the OIG quarterly that those grantees with less than 50 percent drawdowns as of September 30, 2011, are being actively monitored through closeout.

Summary of Agency Responses and OIG Comments

NTIA Response and OIG Comments

The Assistant Secretary for Communications and Information responded for NTIA and agreed with our findings and recommendations. He stated that the program strives to focus monitoring on the prudent use of taxpayers' dollars and compliance with federal financial and grants-related requirements—and recognizes that additional emphasis on monitoring grantees will increase the likelihood of the program's success. In addition, he stated that NTIA will work with FEMA to implement the recommendations related to the monitoring of equipment purchases and operational capability, nonfederal matching share funds, achievement of milestones, and drawdown of federal funds. NTIA specifically responded to each of our four recommendations stating plans to:

1. add an agenda section to address specific equipment purchases as well as operational capabilities and functionalities for the remaining 19 PSIC site visits;
2. issue an official notice through its formal communications method, the PSIC e-mail account, to clarify that the DHS *Financial Management Guide* is the controlling document on the nonfederal matching requirements and emphasize the review of matching share requirements quarterly to ensure that no recipient is short of the requirement by the end of the grant award;
3. add a specific agenda topic to address progress towards meeting updated milestones for the remaining 19 site visits and use an internal milestone chart to guide direct follow-ups with recipients completing investments each quarter; and
4. closely monitor progress of the eight recipients that have drawn down 50 percent or less of federal funds, send a quarterly progress update to the OIG and visit each site.

We concur with NTIA's proposed actions.

FEMA Response and OIG Comments

In its response to our draft report, FEMA did not concur with recommendations 1 and 2 and stated that it concurred with the intent of recommendations 3 and 4. However, despite stating that it did not agree with recommendations 1 and 2, FEMA stated that it considers all recommendations resolved. FEMA provided specific plans to update their monitoring procedures. These plans are consistent with the NTIA plans described above and relate specifically to our four recommendations. FEMA plans to:

1. supplement its postaward monitoring efforts to include targeted questions that address equipment purchases, and for the remaining site visits in 2011 and 2012 add the topic of equipment purchases and operational capability to the site visit agenda;

2. prepare a draft clarifying the proportionality issue and distribute it to grant recipients from the authorized PSIC Program Office e-mail account by the end of the first quarter of fiscal year 2012;
3. revise the Monitoring and Communications Strategy to include placeholder site visits in 2012 and issue additional clarifying language about the purpose of the strategy and from now through the end of the extended period of performance conduct quarterly check-ins with grantees to gauge progress; and
4. schedule site visits to all grantees with draw downs of 50 percent or less by the first quarter of 2012.

Although we do not agree with FEMA's assertions of nonconcurrence or with its assertions related to the resolution of recommendations addressed to NTIA, we concur with FEMA's proposed actions. We will work with NTIA on its action plan to address the recommendations in this report.

Appendix A: Objectives, Scope, and Methodology

This report details our third annual assessment of NTIA's PSIC grants management, including the role of FEMA, for the fiscal year ended September 30, 2010, with selected updates through September 2011. Our audit focused on NTIA's management of the PSIC program to determine whether (1) NTIA effectively meets its responsibility to monitor the grants and ensure the achievement of PSIC goals and (2) FEMA effectively fulfills its responsibilities as outlined in the memorandum of understanding to provide grant services. We also reviewed the extent of NTIA monitoring to determine whether (3) grantees efficiently acquire communications equipment; (4) grantees will complete projects before September 30, 2011, or by the end of FY 2012 with NTIA's approval; and (5) technical assistance provided by NTIA and FEMA effectively helps grantees achieve PSIC goals by the program deadline. We conducted our fieldwork at both NTIA and FEMA headquarters, located in Washington, DC. To meet our objectives, we met with NTIA officials and FEMA Grant Programs Directorate officials responsible for the PSIC grant program and reviewed:

- grant files for selected grantees;
- MOUs between NTIA and FEMA, as well as NTIA and the U.S. Department of the Navy;
- supporting documentation regarding financial and programmatic monitoring activities;
- NTIA's and FEMA's organizational structure for the PSIC program;
- DHS PSIC grant monthly drawdown reports for each state and territory; and
- audit reports of PSIC grants conducted by OIG.

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

- Section 3006 of the Digital Television Transition and Public Safety Act of 2005, Public Law 109-171;
- Implementing Recommendations of the 9/11 Commission Act of 2007, Public Law 110-53;
- Public Safety Interoperable Communications Grants, Public Law 111-96;
- NTIA's online guide, *PSIC Program Guidance and Application Kit*, August 16, 2007;
- NTIA's online guide, *Improving Interoperable Communications Nationwide: Overview of Initial State and Territory Investments*, November 2008; 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 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.

Appendix B: PSIC Drawdowns

Table 1. Grantees with Approved Extensions to September 30, 2012

| State | PSIC Federal Funds (\$) | Drawdowns as of September 30, 2011 (\$) | Total PSIC Funds Remaining (\$) | Amount Drawn (%) |
|-----------------------------|-------------------------|---|---------------------------------|------------------|
| Illinois | 36,414,263 | 35,771,558 | 642,705 | 98% |
| Georgia | 25,311,354 | 23,695,284 | 1,616,070 | 94% |
| Puerto Rico | 9,590,025 | 8,943,700 | 646,325 | 93% |
| Hawaii | 8,069,879 | 7,167,190 | 902,689 | 89% |
| Oklahoma | 11,684,183 | 10,333,798 | 1,350,385 | 88% |
| Maine | 7,567,579 | 6,546,506 | 1,021,073 | 87% |
| Arizona | 17,713,050 | 15,188,619 | 2,524,431 | 86% |
| Texas | 65,069,247 | 55,745,062 | 9,324,185 | 86% |
| Iowa | 10,935,974 | 9,324,592 | 1,611,382 | 85% |
| Idaho | 7,289,795 | 6,201,322 | 1,088,473 | 85% |
| Alaska | 7,250,345 | 6,011,045 | 1,239,301 | 83% |
| Nevada | 12,042,417 | 9,586,426 | 2,455,991 | 80% |
| Utah | 10,353,261 | 8,215,882 | 2,137,379 | 79% |
| South Carolina | 13,499,308 | 10,617,472 | 2,881,836 | 79% |
| District of Columbia | 11,857,972 | 9,294,866 | 2,563,106 | 78% |
| Pennsylvania | 34,190,555 | 26,704,054 | 7,486,502 | 78% |
| Virginia | 25,012,521 | 19,505,506 | 5,507,015 | 78% |
| Kentucky | 15,405,625 | 11,900,130 | 3,505,495 | 77% |
| Montana | 6,549,685 | 5,004,647 | 1,545,038 | 76% |
| Minnesota | 14,262,071 | 10,685,416 | 3,576,655 | 75% |
| Guam | 2,600,678 | 1,928,498 | 672,180 | 74% |
| Michigan | 25,039,781 | 18,281,670 | 6,758,111 | 73% |
| Maryland | 22,934,593 | 15,718,894 | 7,215,699 | 69% |
| Washington | 19,180,347 | 12,959,795 | 6,220,552 | 68% |
| Florida | 42,888,266 | 28,817,579 | 14,070,687 | 67% |
| Arkansas | 11,169,402 | 7,467,510 | 3,701,892 | 67% |
| Oregon | 12,182,532 | 7,523,518 | 4,659,014 | 62% |
| Wisconsin | 15,367,216 | 9,387,574 | 5,979,642 | 61% |
| Wyoming | 5,952,187 | 3,544,211 | 2,407,976 | 60% |
| Vermont | 4,476,761 | 2,534,688 | 1,942,073 | 57% |
| California | 94,034,510 | 53,092,113 | 40,942,397 | 56% |
| Connecticut | 12,999,879 | 7,242,800 | 5,757,079 | 56% |
| North Carolina | 22,130,199 | 11,509,680 | 10,620,519 | 52% |

| State | PSIC Federal Funds (\$) | Drawdowns as of September 30, 2011 (\$) | Total PSIC Funds Remaining (\$) | Amount Drawn (%) |
|-------------------------|-------------------------|---|---------------------------------|------------------|
| Missouri | 17,465,576 | 8,765,573 | 8,700,003 | 50% |
| New Mexico | 8,288,725 | 3,865,063 | 4,423,662 | 47% |
| New Jersey | 30,806,646 | 12,921,278 | 17,885,368 | 42% |
| New York | 60,734,783 | 25,411,586 | 35,323,197 | 42% |
| Nebraska | 8,582,108 | 3,062,210 | 5,519,898 | 36% |
| Alabama | 13,585,399 | 4,132,383 | 9,453,016 | 30% |
| Massachusetts | 21,191,988 | 2,835,441 | 18,356,547 | 13% |
| New Hampshire | 5,966,760 | 377,093 | 5,589,667 | 6% |
| Total Extensions | 807,647,445 | 537,822,233 | 269,825,212 | 67% |

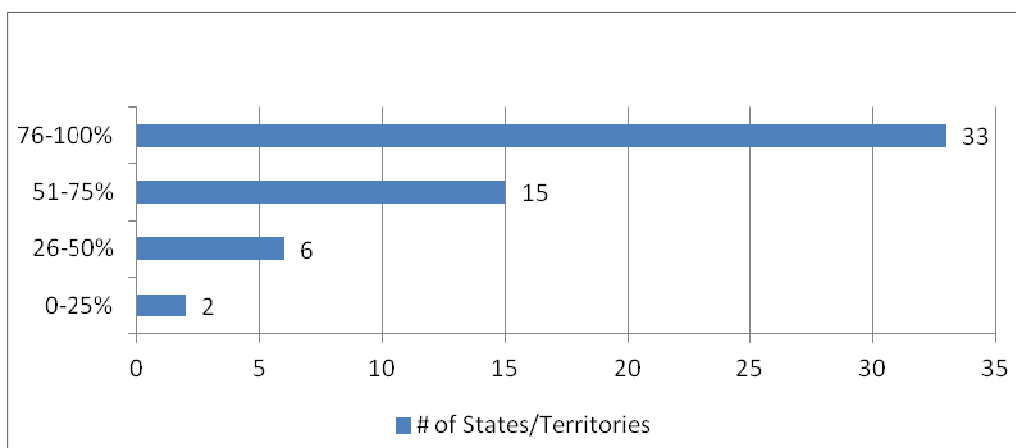
Table 2. Grantees Not Requesting Extensions to September 30, 2012

| State | PSIC Federal Funds (\$) | Drawdowns as of September 30, 2011 (\$) | Total PSIC Funds Remaining (\$) | Amount Drawn (%) |
|----------------------|-------------------------|---|---------------------------------|------------------|
| American Samoa | 691,948 | 691,948 | - | 100% |
| Kansas | 10,667,169 | 10,655,125 | 12,044 | 100% |
| Ohio | 29,377,337 | 29,252,968 | 124,369 | 100% |
| North Dakota | 7,052,490 | 7,003,994 | 48,496 | 99% |
| Colorado | 14,336,638 | 14,232,796 | 103,842 | 99% |
| Virgin Islands | 856,907 | 849,454 | 7,453 | 99% |
| Louisiana | 19,672,287 | 19,497,916 | 174,371 | 99% |
| South Dakota | 6,549,691 | 6,487,260 | 62,431 | 99% |
| Mississippi | 10,989,345 | 10,856,168 | 133,177 | 99% |
| N. Mariana Islands | 719,236 | 687,516 | 31,720 | 96% |
| Rhode Island | 7,365,694 | 7,001,649 | 364,045 | 95% |
| Tennessee | 17,540,752 | 16,668,664 | 872,088 | 95% |
| Indiana | 18,291,735 | 17,266,238 | 1,025,497 | 94% |
| West Virginia | 8,429,484 | 6,510,613 | 1,918,871 | 77% |
| Delaware | 8,196,842 | 5,627,678 | 2,569,164 | 69% |
| Total Non-Ext | 160,737,555 | 153,289,987 | 7,447,568 | 95% |
| Grand Total | 968,385,000 | 691,112,220 | 277,272,780 | 71% |

Source: NTIA/FEMA monthly drawdown reports

Bold indicates OIG audited grantee; **bold italics** indicates OIG audit planned or in process.

**Figure 1. Percent of PSIC Funds Drawn Down by Grantee
(as of September 30, 2011)**



Appendix C: Responses to OIG Draft Report

NTIA response:



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

OCT 28 2011

Ms. Ann C. Eilers
Principal Assistant Inspector General
United States Department of Commerce
1401 Constitution Ave., N.W.
Washington, DC 20230

Dear Assistant Inspector General Eilers:

Thank you for the opportunity to comment on the Office of Inspector General's Discussion Draft Report, *Third Annual Assessment of the Public Safety Interoperable Communications Grant Program: NTIA and FEMA Need to Improve Oversight of PSIC Grants*, issued October 2011. I appreciate your acknowledgment that there were no issues with the technical assistance provided by NTIA and FEMA and that the monitoring activities to date have focused properly on grant-related administrative and financial requirements. The program strives to respond timely and accurately to recipients' technical issues, and to focus monitoring on the prudent use of taxpayers' dollars and compliance with federal financial and grants-related requirements.

With less than one year left in the program, NTIA and FEMA are close to achieving the program's goal to enable and enhance interoperable communications among public safety agencies. We recognize that additional emphasis on monitoring grantees will increase the likelihood of the program's success. Working with FEMA, NTIA is following your recommendations related to the monitoring of equipment purchases and operational capability, nonfederal matching share funds, achievement of milestones, and drawdown of federal funds.

Response to Equipment Purchases and Operational Capability

When the Public Safety Interoperable Communications (PSIC) program began, NTIA adopted the Department of Homeland Security (DHS) Authorized Equipment List (AEL) that identified allowable equipment categories to be purchased with PSIC funds to achieve interoperability for voice, data, and video. The AEL is developed by a group of public safety experts that represent multiple disciplines (e.g., police, fire, EMS) and multiple levels of government users (e.g., local, state, and federal). This process allowed the PSIC program to identify up-front the authorized equipment capable of achieving interoperability as required by the program and to ensure appropriate public safety community input to the equipment list.

The program can improve the monitoring in this area to ensure the PSIC equipment investments are working as intended. For the remaining 19 PSIC site visits, the staff will add an agenda section to address specific equipment purchases as well as operational capabilities and functionalities. Additionally, the program will conduct a training session with the FEMA Program Analysts (PAs) to address PSIC monitoring and closeout processes including how to

place additional monitoring attention on communications equipment purchases and operational capabilities and identify best practices. This information will help PAs assess program impact as they continue to monitor the States and Territories during the final year and after the PSIC award period is over.

Response to Matching Share

There is a discrepancy in the matching share guidance for recipients. All of the guidance appropriately states that the Digital Television Transition and Public Safety Act of 2005 (Public Law 109-171, Section 3006) requires PSIC grantees to contribute a minimum 20 percent non-federal matching share for the acquisition and deployment of communications equipment. Both Department of Commerce (DOC) and DHS rules require tracking of matching share throughout the grant period. DOC and DHS, however, have different implementing instructions for the timing of when the recipients need to drawdown the federal portion of the award.

Specifically, DOC usually requires recipients to draw down federal funds in proportion to nonfederal matching share throughout the grant period. DHS, on the other hand, requires recipients to secure the nonfederal match by the end of the program and does not require it to be realized in proportion to federal funds throughout the grant award.

The program will issue an official notice through its formal communications method, the PSIC email account, to clarify that the DHS Financial Management Guide is the controlling document on the nonfederal matching requirements. That document specifically states that “matching contributions need not be applied at the exact time or in proportion to the obligation of the Federal funds unless stipulated by legislation.”¹ The DOC Office of General Counsel, Financial Assistance Law Division, agrees with this approach.

The program will continue to emphasize the review of matching share in the quarterly Federal Financial Reports (FFRs) to ensure that no recipient is short of the requirement by the end of the grant award. Currently, out of the 56 recipients, 50 have reported matching shares that meet or exceed the 20 percent required match; two recipients have matches within 17-18 percent; and only four recipients are at or below 16 percent match. The program contacted each of the recipients below 20 percent specifically to ensure that they are on target to meet the matching requirement by the end of the award period. Those recipients confirmed that they will be able to meet the matching share requirement. The program will continue to monitor these recipients closely to ensure compliance with matching fund requirements.

Response to Achievement of Milestones

The program agrees with the recommendation to actively monitor and document grantee progress towards achieving updated milestones and major activities. Recipients provided the program with an updated schedule of major activities and milestones. With this new

¹ DHS Financial Management Guide (Jan. 2006) at 30, *available at* http://www.dhs.gov/xlibrary/assets/Grants_FinancialManagementGuide.pdf.

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information, the program developed an internal milestone chart to track the progress of each recipient.

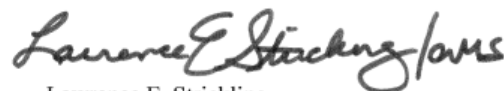
For the 19 remaining site visits, the program will add a specific agenda topic to address progress towards meeting updated milestones. Additionally, the program also will use the internal milestone chart to guide direct follow ups with recipients completing investments each quarter. These direct discussions with recipients will help the program identify any issues during the remaining period of performance. Tracking milestone achievements will be an important grantee monitoring activity to ensure program success in the final phases of the program.

Response to Grantees Risk of Not Completing Projects

As of September 30, 2011, eight recipients have drawn down 50 percent or less of their federal award. The program concurs with the recommendation to actively monitor the progress of these recipients, and a quarterly update on the monitoring and progress will be sent to the OIG. The program has been working closely with these eight States to understand the challenges encountered. The program will closely monitor each of these recipients' performance over the final year of the program. The program also plans site visits for these eight States. It is important to note, however, that if for any reason these recipients fail to expend all the funds by the statutory deadline, the program will return the funds to the U.S. Treasury to reduce the deficit as required by law.

Thank you for the opportunity to comment on the draft report and for your collaboration to ensure that NTIA fulfills the objectives of the PSIC grant program. I look forward to continuing to work with you as NTIA and FEMA enter the final year of the program. If NTIA can be of further assistance, please contact Milton Brown, NTIA's Liaison to the Office of Inspector General, at (202) 482-1853.

Sincerely,

A handwritten signature in black ink that reads "Lawrence E. Strickling". The signature is written in a cursive, flowing style.

Lawrence E. Strickling

FEMA response:

**Response to the Third Annual Assessment of the
Public Safety Interoperable Communications Grant Program:
NTIA and FEMA Need to Improve Oversight of PSIC Grants**

Recommendation #1: Implement a plan that provides for the active monitoring of equipment and its operational capability.

Response: FEMA does not concur with this recommendation and considers it resolved.

FEMA agrees that the active monitoring of Public Safety Interoperable Communications (PSIC) Grant Program recipients is an important component of grants administration and consequently the Agency implements a robust programmatic and financial grant monitoring protocol that leverages multiple resources to execute this objective. FEMA uses programmatic grant monitoring as a mechanism to review and verify that grant funds are used in a manner consistent with the grantee's stated implementation plan and according to the applicable rules and regulations of the awarding office (e.g., equipment acquisition guidelines). FEMA implements a straightforward, proactive approach that provides specific front-end guidance to PSIC Grant Program recipients for identifying appropriate, allowable, and functional interoperable communications equipment. This approach leverages the resources and expertise of the entire DHS and the full spectrum of communications professionals. Additionally, FEMA will supplement its post-award monitoring efforts to include targeted questions that address equipment purchases.

FEMA conducts biennial on-site programmatic grant monitoring for recipients of DHS grant funds, including the Homeland Security Grant Program portfolio, the PSIC Grant Program, and other preparedness grant programs. On-site programmatic monitoring visits address five key areas: 1) background information; 2) prior-year grantee projects; 3) homeland security strategy goals and objectives; 4) the National Priorities; and 5) issues or concerns. FEMA's programmatic grant monitoring efforts are implemented by designated Program Analysts (PAs) that have oversight responsibilities for a particular set of jurisdictions. As part of the monitoring process, the PAs review proposed and historic funding priorities to ensure that they align with the National Preparedness Guidelines, establish or strengthen target capabilities, and enhance national or regional emergency management capabilities. PAs support State, local, territorial, and tribal governments as they develop and execute a capability-based planning methodology that uses critical Federal assistance to build and sustain State- and local-level competencies necessary to prepare for and respond to acts of terrorism. This support includes, advice related to equipment evaluation and acquisition, training, exercises, technical assistance, and planning required for preparedness and response. The programmatic monitoring efforts identify problems that may impede effective implementation of the funded programs or projects and serve to assess program progress and implementation.

The programmatic grant monitoring also verifies that grant funds are used in accordance with applicable rules, regulations, and guidance. The revised *PSIC Program Guidance and Application Kit* (dated August 2007) directed grantees to follow the Fiscal Year (FY) 2007 Recommended Federal Grant Guidance, Emergency Response Communications and Interoperability Grants (SAFECOM Guidance), as well as the DHS Authorized Equipment List and the Interagency Board's Standardized Equipment List (located on the Responder Knowledge Base [RKB]) when procuring voice and data communications equipment. These documents, developed and maintained with input from a diverse group of public safety stakeholders, provide consistent guidance across all DHS grant programs for interoperable communications expenditures.

The SAFECOM Guidance for Federal Grant Programs is annually reviewed and updated by the DHS Office of Emergency Communications (OEC) with input from numerous Federal, State, and local stakeholders and provides technical information and recommendations for allowable costs for all Federal agencies to consider when developing program guidelines. The RKB, a web-based

information sharing service, has more than 1,100 contributing organizations, contains information on more than 5,000 products, and also provides guidance to emergency responders on equipment purchases. This product specific information includes certification data (regarding Project 25 [P25] compliance), training requirements, and external links to jurisdictions that have purchased the same equipment. This information is particularly useful to PSIC grantees because the *PSIC Program Guidance and Application Kit* specifically states (on page 41), agencies that purchase P25-compliant equipment⁸ “must obtain documented evidence from the manufacturer that the equipment has been tested to and passed all of the applicable, published, normative P25 compliance assessment test procedures for performance, conformance, and interoperability as defined in the “[FY 2007 SAFECOM] Grant Guidance—P25 Explanatory Addenda...”.

The SAFECOM Guidance also references the P25 Compliance Assessment Program (CAP) guidelines. The P25 CAP is a voluntary program that allows P25 equipment suppliers to formally demonstrate their products’ compliance with a select group of requirements by testing it in recognized laboratories. P25 CAP is a partnership of the DHS Science and Technology Directorate, the Department of Commerce (DOC) National Institute of Standards and Technology, the Department of Justice, industry, and the emergency response community. The P25 CAP establishes a process for ensuring that equipment complies with P25 standards and is capable of interoperating across manufacturers. The importance of the SAFECOM Guidance CAP language – used for the first time in 2007 – is to emphasize to State and local purchasers of P25 equipment that the onus is on them to obtain the relevant documentation (e.g., SDOC) to validate manufacturer claims. This placement of responsibility is especially important because of the voluntary nature of compliance activities regarding manufacturer testing.

In addition to the issued guidance and programmatic monitoring efforts, FEMA supplements its post-award monitoring by including targeted questions that address equipment purchases. FEMA proactively added a question to the closeout Biannual Strategy Implementation Report (BSIR) that requires grantees to confirm that “to the best of the State Administrative Agency’s knowledge, all PSIC-funded equipment was purchased in accordance with the award terms and conditions.” Also, for the remaining 2011 and upcoming 2012 site visits, FEMA will add the topic of equipment purchases and operational capability to the site visit agenda. Finally, FEMA will host an in-service briefing for the PAs to share best practices and lessons learned related to PSIC grantee assistance, programmatic monitoring, and closeout activities.

Recommendation #2: Develop a formal document for grantees that reconciles all existing guidance on proportionality and ensure that matching share funds are provided at a rate that is proportional to the federal funds drawdown.

Response: FEMA does not concur with this recommendation and considers it resolved.

FEMA agrees that the PSIC Program Office provided conflicting information to grantees about match proportionality. The DOC OIG draft report dated October 2011 cites the PSIC Grant Program *Guidance and Application Kit* and the *PSIC Program Management Handbook* as sources of authority for requiring grantees to contribute non-Federal matching share in proportion to the expenditure of Federal grant funds. However, it is FEMA’s position that there is no regulatory or statutory authority to support the enforcement of a proportionality standard. To clarify this issue at the program level, FEMA submitted a letter (dated July 27, 2011) to the DOC National Telecommunications and Information Administration (NTIA) that effectively waives the proportionality requirement. It is now appropriate for the PSIC Program Office to address this

⁸ Public safety and industry have partnered through the Telecommunications Industry Association to develop P25 LMR standards that allow equipment to interoperate regardless of manufacturer—enabling emergency responders to exchange critical communications. The goal of P25 is to specify formal standards for interfaces between the various components of an LMR system, commonly used by emergency responders.

issue directly with the grantees. FEMA is prepared to draft a clarifying statement regarding the proportionality issue and distribute it to grant recipients from the authorized PSIC Program Office email account by the end of the first quarter of fiscal year 2012. This statement will acknowledge the conflicting information and clarify that while proportional contributions of matching share is not a requirement under the PSIC Grant Program, it is a useful indicator of grantee performance.

The Digital Television Transition and Public Safety Act of 2005 (Public Law 109-171, Section 3006) requires PSIC grantees to contribute a minimum 20 percent matching share, from non-Federal sources, for the acquisition and deployment of communications equipment. This requirement also applies to Management & Administration costs charged to the grant. In addition, section VI (B) of the *PSIC Program Guidance and Application Kit* includes the language, "grantees will only be permitted to draw down PSIC funds in proportion to demonstrated non-Federal matching funds." However, to clarify, neither DHS nor DOC codified regulations address the proportionality issue.

Initially, the Program interpreted the proportionality clause as broad guidance to prevent situations in which grantees spend all allocated Federal funds without supplying the required non-Federal matching funds. The PSIC Program Office never presented this clause to grantees as a literal requirement, and FEMA has consistently argued that a strict interpretation of the proportionality clause in the *PSIC Program Guidance and Application Kit* would be unduly burdensome to the State Administrative Agencies (SAA) responsible for managing the individual PSIC awards.

The DOC *Financial Assistance Standard Terms and Conditions* (T&C) document defines a proportionality requirement "...the non-Federal share, whether in cash or in-kind, is expected to be paid out at the same general rate as the Federal share." The DoC T&C document allows for "...exceptions to this requirement (proportionality) may be granted by the Grants Officer..." however, the presumption is that a proportionality standard exists unless it is waived by the grants office. It is important to note that this is a non-regulatory, department-specific document that does not identify the source of authority for implementing a proportionality standard. It is FEMA's position that grantees should not be bound to a requirement for which there is no statutory or regulatory authority.

FEMA serves as the Grant Office for the administration of the PSIC Grant Program. PSIC grantees have been instructed, by Special Condition #1 of the Award Document, to "...comply with the financial and administrative requirements set forth..." in the DHS *Financial Management Guide*. This document specifically states that "matching contributions need not be applied at the exact time or in proportion to the obligation of the Federal funds unless stipulated by legislation." It is FEMA's position, even assuming that the DOC T&C document was applicable to the PSIC program, that as the Grant Office it has authority to waive the proportionality requirement for PSIC grantees and has done so through both the direction provided in the DHS *Financial Management Guide* and in the text of the July 27th 2011 letter.

FEMA acknowledges the value of monitoring the rate at which PSIC grantees apply matching share contributions and will continue to engage with grant recipients to ensure that they meet the overall non-Federal match requirement. The PSIC Program Office has included this subject as an agenda item for all PSIC site visits and will continue to do so through September 30, 2012. FEMA will continue to actively monitor quarterly Federal Financial Reports (FFR) to identify grantees reporting zero or minimal amounts of non-Federal matching contributions. As noted in the OIG draft report, grantees have reported zero recipient share, or non-Federal match, on FFRs. Each quarter, the PSIC Program Office identifies these grantees, reviews their respective FFRs for the previous four quarters, and then notifies the grantees of the suspected errors. Historically, grantees have been very responsive to these inquiries and resubmitted revised reports within a short timeframe of the notification. FEMA will also monitor FFRs to identify grantees making inconsistent reports of non-Federal matching contributions. FEMA is committed to the success of the PSIC Grant Program and will continue to ensure that the financial and program management

practices applied to the Program support the goals of the Program and help PSIC grantees successfully implement their PSIC Investments.

Recommendation #3: Actively monitor and document grantee progress towards achieving program goals including the achievement of updated milestones for grantees that requested an extension until September 2012.

Response: FEMA concurs with the intent of this recommendation and considers it resolved.

FEMA agrees that the active monitoring of Public Safety Interoperable Communications (PSIC) Grant Program recipients is an important component of grants administration and consequently the Agency implements a robust programmatic and financial grant monitoring protocol that leverages multiple resources to execute this objective. FEMA employs robust financial and programmatic monitoring standards for recipients of preparedness grant funds, including PSIC. For example, during FY 2009 and FY 2010, FEMA regional staff financially monitored a total of 46 PSIC awards (38 site visits and 8 desk reviews) and PAs programmatically monitored all 56 SAAs. The DOC OIG requested a sample of six programmatic monitoring reports and six financial monitoring reports. FEMA provided copies of the requested Financial monitoring Reports and has included copies for the Programmatic Monitoring Reports with this response.

Effective financial monitoring and oversight helps FEMA ensure that grant funds are used for the intended purpose and that grantees comply with regulatory requirements⁹. In compliance with Federal regulations, applicable Office of Management and Budget cost principles, and program guidance, FEMA regularly monitors all grant programs.¹⁰ Financial monitoring activities involve collecting and analyzing information on grantees' business functions and grant administration practices and are executed by the FEMA regional offices. Through these reviews, FEMA assesses its grantees' capacity to administer grants in compliance with Federal regulations and evaluates grantee performance in grant administration areas. Financial monitoring is one tool used by FEMA to ensure compliance with any regulations or guidance governing the grant award(s), proactively assess any impediments to grant success, and assist in their resolution.

Each fiscal year, FEMA develops an overarching financial monitoring plan that guides the monitoring activities of the Agency's Regional Grants Management Branches and Headquarters-based Award Administration Branches. This Plan provides the basis for developing individual office-specific schedules and an overview of FEMA's annual approach to financial monitoring of grants. FEMA uses a risk management philosophy¹¹ that assesses the monitoring needs of each individual grant or specific grantee by considering eight key indicators: 1) spending patterns, 2) grant dollar value, 3) grantee responsiveness, 4) Administrator's priority, 5) new FEMA grantee/grantee with new personnel, 6) number of grants managed by grantee, 7) prior financial monitoring findings, and 8) program type. This approach enables FEMA to fulfill statutory requirements and address leadership focus areas, while monitoring a substantial cross-section of grants and grant programs through sampling.

FEMA uses programmatic grant monitoring as a mechanism to review and verify that grant funds are used in a manner consistent with the grantee's stated implementation plan and according to the applicable rules and regulations of the awarding office. It identifies problems that may impede

⁹ The *Implementing Recommendations of the 9/11 Commission Act of 2007* (hereafter referred to as the "9/11 Act"), the Code of Federal Regulations for Emergency Management Assistance (44 CFR), the Code of Federal Regulations for Grants and Agreements (2 CFR), and FEMA policy represent the primary regulations surrounding FEMA's financial monitoring activities.

¹⁰ Other mandates, such as section 2022 of the 9/11 Act, require monitoring not less than once every two years for applicable Preparedness grants.

¹¹ U.S. Department of Homeland Security 2008-2013 Strategic Plan: "Apply Risk Management: The homeland security mission is complex, and resources are constrained. The Department will use qualitative and quantitative risk assessments to inform resource decisions."

effective implementation of the funded programs or projects and serves to assess program progress and implementation. At a minimum, FEMA conducts biennial on-site programmatic grant monitoring for recipients of DHS grant funds, including the Homeland Security Grant Program portfolio, the PSIC Grant Program, and other preparedness grant programs. On-site programmatic monitoring visits address five key areas: 1) background information; 2) prior-year grantee projects; 3) homeland security goals and objectives, 4) the National Priorities; and 5) issues or concerns. As part of the monitoring process, the designated PA reviews proposed and historic funding priorities to ensure that they align with the National Preparedness Guidelines, establish or strengthen target capabilities, and enhance national or regional emergency management capabilities. PAs support State, local, territorial, and tribal governments as they develop and execute a capability-based planning methodology that uses critical Federal assistance to build and sustain State- and local-level competencies necessary to prepare for and respond to acts of terrorism. This support includes advice related to equipment evaluation and acquisition, training, exercises, technical assistance, and planning required for preparedness and response.

In addition to FEMA's overarching monitoring activities, the PSIC Program Office has supplemented those services with numerous PSIC-specific oversight and assistance efforts. In 2008, the PSIC Program Office conducted eight site visits in response to requests for program clarification and grantee assistance. In 2009, a representative from the office visited a grantee to assist in compiling environmental compliance documentation. The office conducted two targeted site visits in 2010. The first visit was based on specific programmatic concerns (e.g., financial reporting) and the second on challenges associated with meeting the environmental compliance requirements. Since May 2011, the PSIC Program Office has conducted a total of nine formal site visits. Based on the PSIC Monitoring and Communications Strategy, which is a supplement to all previously defined monitoring efforts, an additional seven site visits are scheduled to be completed before the end of 2011, and 12 will occur in 2012. The DOC OIG requested the FEMA grant files for 12 PSIC grantees. At the time of the request, FEMA had only conducted a site visit to one of the 12 identified grantees (i.e., 2009 visit related to environmental compliance).

The OIG's draft report erroneously asserts that the calendar year 2011 site visit schedule, originally submitted in January 2011, had been reduced in scope by a modified plan submitted in August 2011. However, the August document, recently renamed the "Monitoring and Communications Strategy," actually outlines a communication strategy that clearly defines how the PSIC Program Office will distribute mass and targeted emails to the two grantee groups – the 44 grantees with a period of performance extension to June 30, 2012 and the 12 with a period of performance end date of September 30, 2011. This document serves as an internal program management tool that incorporates all applicable guidance and job aids (e.g., PSIC Closeout Assistance Toolkit, mass email reminder templates, schedules for site visits and formal communications) to inform and guide the PSIC Program Office's grantee assistance efforts. This strategy document is intended to supplement all previously developed documentation or correspondence related to monitoring efforts and does not supersede any of the PSIC Program Office's other communications, monitoring, or site visit efforts. FEMA has included a revised version of the Monitoring and Communications Strategy to include placeholder site visits in 2012 and additional clarifying language about the purpose of the strategy.

During summer 2010 and winter 2011, the PSIC Program Office also conducted 34 'pulse checks' with grantees as part of an active monitoring effort that offered an informal means of engaging with grantees to understand progress of PSIC Investments to date, as well as any implementation barriers. Each pulse check session was conducted over the phone by at least one representative from the PSIC programmatic team and the assigned National Environmental Policy Act team representative. During these voluntary conversations, grantees and the PSIC program staff discussed Investment progress, implementation barriers, and the impact PSIC funds have had on emergency communications capabilities. Program staff also fielded inquiries regarding the period of performance extension process. During the PSIC Grantee Conference held in Cleveland, Ohio

on October 5-6, 2010, FEMA PAs and PSIC Program staff conducted one-on-one interviews with 20 grantees to again gauge progress and offer programmatic and environmental compliance assistance.

From now through the end of the extended period of performance (June 30, 2012), the PSIC Program Office will also conduct quarterly check-ins with grantees to gauge progress against the timelines and milestones defined in the grantees' period of performance extension requests. For example, in early January, the office will contact grantees that indicated a project or investment would be complete in October, November, or December 2011. These calls, similar to the aforementioned pulse checks, will provide an opportunity to monitor progress, as well as offer immediate grantee assistance on a variety of issues (e.g., financial reporting, closeout, investment modifications). The information gathered on these calls will inform and update the PSIC Monitoring and Communications Strategy, as well as NTIA's milestone tracker. In addition, the PSIC Program Office will leverage informal discussions, such as those related to investment modifications, to gather information on implementation statuses and timelines. These conversations will be documented in existing communications logs.

Recommendation #4: Provide evidence to the OIG quarterly that those grantees with less than 50% drawdowns as of September 30, 2011 are being actively monitoring through closeout.

Response: FEMA concurs with the intent of this recommendation and considers it resolved.

FEMA has already identified and prioritized those jurisdictions with less than 50% drawdown of grant funds as requiring additional monitoring and oversight. As of September 30, 2011, eight grantees had drawdown rates of less than 50 percent. The PSIC Program Office has already scheduled site visits for six of those grantees during calendar year 2011. The Monitoring and Communications Strategy, as provided, indicates that the PSIC Program Office will visit the other two grantees during first quarter 2012 (i.e., January, February).

The PSIC Grant Program will continue its various monitoring activities (e.g., conducting information pulse checks, reviewing FFR and BSIR data, answering grantee inquiries, providing on-site assistance) through the end of the period of performance to gauge the financial and programmatic progress of its grantees as they implement their PSIC investments. The PSIC Program Office will also continue leveraging the existing grant monitoring efforts of the FEMA PAs, as well as the FEMA regional offices to identify potential areas of concern.

From now through the end of the extended period of performance (June 30, 2012), the PSIC Program Office will also conduct quarterly check-ins with grantees to gauge progress against the timelines and milestones defined in the period of performance extension requests. These calls, similar to the pulse checks, will provide an opportunity to monitor progress and specifically discuss draw downs, as well as offer immediate grantee assistance on a variety of issues (e.g., financial reporting, closeout, investment modifications). The information gathered on these calls will inform and update the PSIC Monitoring and Communications Strategy, as well as NTIA's milestone tracker. In addition, the PSIC Program Office will leverage informal discussions, such as those related to investment modifications, to gather information on implementation statuses and timelines.

FEMA will continue to support NTIA by managing and administering the PSIC program through September 30, 2012. The data collected from these activities will be available for review.