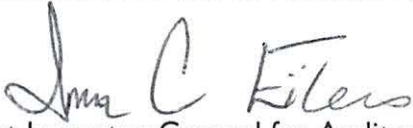




December 20, 2013

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: Closeout Procedures for the Broadband Technology
Opportunities Program Need Strengthening

This is our final memorandum on the results of our audit to assess the effectiveness of closeout administration for the National Telecommunications and Information Administration's (NTIA's) Broadband Technology Opportunities Program (BTOP). Closeout consists of the steps taken by the award recipient and the grants office to ensure that project activity is complete and the award recipient has met all the requirements under applicable laws, regulations, Office of Management and Budget (OMB) circulars, and the award terms and conditions.

We received separate responses from NTIA, NOAA, and NIST to our draft memorandum, which acknowledged our findings and recommendations and described the steps they are taking to address them. Corrective actions have been taken during the audit, and the bureaus have indicated that additional action will be taken to address the findings contained within the report. We have summarized the responses within the report and included the formal responses from NTIA, NOAA, and NIST as Appendix C. The final report will be posted on the Office of Inspector General's website pursuant to section 8M of the Inspector General Act of 1978, as amended.

In accordance with Department Administrative Order 213-5, please provide us with your action plan within 60 days of the date of this memorandum. The plan should outline the actions you have taken or propose to take to address each recommendation.

Background

The American Recovery and Reinvestment Act of 2009 provided \$4.7 billion for NTIA to establish BTOP. The agency awarded more than 230 BTOP grants totaling \$3.9 billion to deploy broadband Comprehensive Community Infrastructure (CCI), create and expand Public Computer Centers (PCC), and promote the Sustainable Broadband Adoption (SBA) services. The National Institute of Standards and Technology (NIST) administers the PCC and SBA grants. The National Oceanic and Atmospheric Administration (NOAA) administers the CCI grants. All BTOP grants were awarded before September 30, 2010, and each project was required to be completed within three years after the award date. In support of implementation of the awards, grant recipients have disbursed 78 percent of BTOP funds as of June 30, 2013.

Many BTOP awards are therefore nearing completion and entering the closeout phase. Appendix B shows when grants were to be completed. A footnote to table B-1 provides updated information on the status of the awards as of September 16, 2013. Many grantees have requested and been approved extensions to complete projects, with some extending completion into 2015.

As of September 16, 2013, NTIA reported that 69 CCI grant recipients and 44 PCC/SBA recipients had requested to extend their performance periods. Also, NTIA reported that 43 grants representing approximately \$1.5 billion will extend beyond September 30, 2013. This includes 24 grants to be completed October through December 2013, 15 grants to be completed in 2014, and 4 grants to be completed in 2015.

At the time of our fieldwork (March–May 2013), only 5 of 224 total grants¹ had been closed out under the program. NTIA, along with the grants offices at NIST and NOAA, developed closeout procedures to ensure that laws, regulations, and award conditions are met. Grant procedures have been documented in the *BTOP Recipient Handbook*; the *Federal Program Officer Handbook: Grant Monitoring Procedures* for BTOP grants; Standard Operating Procedures 00-02A, from NIST's Grants and Agreements Management Division; and Grants Management Division Alert 2012-02, from NOAA. The three agencies have held webinars to help recipients understand the grant closeout process. Figure 1 summarizes the closeout process.

Objectives, Findings, and Recommendations

We conducted this audit as part of our continued oversight of NTIA's BTOP awards. Our objectives were to evaluate (1) whether policies and procedures were adequate to effectively administer closeout activities and (2) whether closeout procedures were being followed. Appendix A contains the objectives, scope, and methodology of this audit.

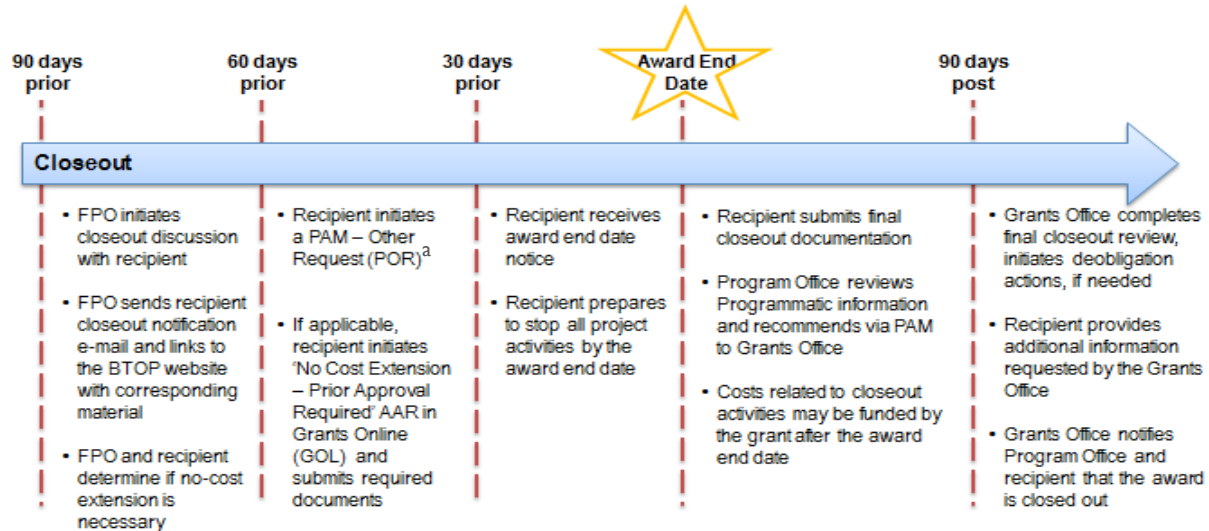
We found that NTIA, along with the grants offices at NIST and NOAA, encountered challenges in effectively closing out the first awards. Delays have occurred due to computer system issues that were not identified until those initial closeouts, time-consuming Uniform Commercial Code-1 filings (to secure federal interest in property), audits of for-profit companies that must be completed before closeout, and extension requests. For example, as of June 14, 2013, only one of the three CCI grants that should have been closed out had been completed. NTIA, NOAA, and NIST continue to take corrective steps to expedite the closeout process.

NTIA described several efforts it had initiated to ensure effective grant closeout. These include forming a team to address closeout issues as they arise; updating closeout procedures in the *Federal Program Officer Handbook: Grant Monitoring Procedures* for BTOP grants to facilitate consistent practice among program officers; and developing and conducting training sessions for staff and grant recipients on closeout documentation and procedures. In addition, NTIA, along with the grants offices for NOAA and NIST, have developed closeout checklists and fact sheets for grant recipients. These are available on the BroadbandUSA website.

¹ Six grants were terminated for convenience and two grants were terminated by NTIA.

Although NTIA and the grants offices have established and continue to refine an initial closeout process, we identified specific weaknesses that should be addressed to ensure more effective closeout of BTOP awards.

Figure I. BTOP Grant Project Closeout Timeline



Source: NTIA training presentation

Closeout training was provided to recipients on July 12, July 18, and December 13, 2012. Training was provided to NTIA, NIST, and NOAA staff on December 15, 2011, February 13, 2013, and March 26, 2013.

^a PAM—post-award monitoring tool; FPO—federal program officer; AAR—award action request.

I. Standard Operating Procedures at NIST and Closeout Procedures at NOAA Were Incomplete

NIST's standard operating procedures (SOPs) and NOAA's closeout procedures do not provide adequate instructions to grants personnel to fully and successfully guide the process of closing out BTOP grants. As a result, grants personnel could potentially close a grant without obtaining and reviewing all the required closeout documentation, determining that all award activity was completed and laws and regulations were complied with, or ensuring that the federal government's interest in assets was protected. Closeout is the last opportunity for grants personnel to flag and follow up on fraud, waste, and abuse indicators in grant spending. Without comprehensive procedures, that opportunity could be missed. See table I for a list of closeout requirements and whether grants office procedures clearly address the requirements.

Table I. Closeout Requirements Addressed in NIST's and NOAA's Procedures

Closeout Requirement	NOAA	NIST
Department of Commerce Grants and Cooperative Agreements Manual, Chapter 12 15 CFR^a Parts 14 and 24/OMB Circulars A-102 and A-110		
Notifying the recipient when the award is close to completion.	Y	Y
Recipient submits all financial, performance, and other reports as required by terms and conditions of award within 90 days after award completion date.		
Final Financial report (SF-425)	Y	Y
Final Performance report	Y	Y
Account for any real (SF-429) and personal (SF-428) property acquired with federal funds or received from the federal government	N	Y
Financial Status report (SF-269) and Request for Reimbursement for construction programs (SF-271) if applicable	N	Y
Final Request for Payment (SF-270) if applicable	Y	Y
Invention Disclosure/Patent reports	Y	Y
Federally-owned Property report, CD-281 (as distinct from property acquired with grant funds), for which it is accountable and request disposition instructions for property no longer needed	Y	Y
Unobligated balance of funds on hand returned to government/accounts receivable for funds not returned	Y	N
Government compensation for aggregate supplies with a value greater than \$5,000	N	N
De-obligation of funds within 90 calendar days of receipt after final SF-269 (Financial Status report)	Y	Y
Retention of records, 3 years	Y	N
Department of Commerce Grants and Cooperative Agreements Manual, Chapter 17 (Construction Projects)		
Recipient executes a security interest or other statement of federal interest in the property perfected.	N	Y
Recipient provides a written statement from a licensed attorney in the jurisdiction where the property is located certifying that the federal interest has been protected.	N	Y
Recipient may not dispose of, modify the use of, or change the terms of the real property title without permission and instructions from the grants office.	N	Y
Notice of Funds Availability 1 and 2		
Audit reports and final performance report	N	Y

Source: Department of Commerce Grants and Cooperative Agreements Manual

^a Code of Federal Regulations.

A. Weaknesses with NIST's standard operating procedures for closeout

NIST SOPs do not address the process for recovering unspent advances.

Grant closeout regulations (15 CFR, parts 14, 24) and the Department's *Grants and Cooperative Agreements Manual* require that unobligated funds be promptly returned to the government. At the same time, recipients are allowed to draw down grant funds up to 30 days in advance of anticipated expenses. At the end of their awards, grant recipients, therefore, could draw down more funds than necessary for expenses. Although this did not occur in the four closeouts of NIST-administered awards we reviewed, NIST procedures do not address how to recover unused advances before closing a grant, making it possible for recipients to keep unused funds.

NIST SOPs do not include the required record-retention period for recipients. BTOP grant recipients are generally required under federal and departmental regulations (15 CFR, sections 14.53, 24.42; and the Department's *Grants and Cooperative Agreements Manual*, March 1, 2013, chapter 12, section D) to retain related financial records and supporting documentation for three years from the date the final expenditure report was submitted. An appendix to the agency's SOP provides grantees an example of the final closeout letter and a reminder of how long records need to be retained. However, that information should be included in the body of the SOP to ensure that all grants office personnel know the requirement. The requirement for retaining records would ensure that documents are maintained to verify that costs are allowable, allocable, and reasonable.

B. Weaknesses with NOAA's procedures for closeouts

NOAA closeout procedures do not address all required closeout documentation. NOAA's closeout procedures do not address the following requirements for documentation:

- Real Property Status Report (SF-429)
- Tangible Personal Property Report (SF-428)
- Financial Status Report (SF-269) and the Outlay Report and Request for Reimbursement for Construction Programs (SF-271) for BTOP grants with a construction component

Federal regulations (15 CFR, sections 14.71, 24.50) require grant recipients to submit all required closeout reports within 90 days after the completion of the award. Among the required documentation, NTIA and the grants offices require grant recipients to submit standardized forms 429 and 428 to ensure that real and personal property acquired with federal funds are reported and that the government's interest in the property is protected. Those completed forms are essential to making the grants office aware of BTOP real or personal property maintained by the grantee. The government is owed compensation for the sale or repurposing of any real and personal property obtained with federal funds. Standardized forms 269 and 271 ensure that the recipient has adequate grant funding to complete construction projects, including administrative costs

for closeout. Because the grant recipient can no longer draw down funds 91 days after the end of the grant period, the grants office's review of SF-269 and SF-271 helps ensure that funding is available for the grantee's remaining project expenses, as well as for closeout costs. The Automated Standard Application for Payments (ASAP) account, which enables all electronic payments, is locked after the 90-day closeout period and the process for reversing suspension of funds could delay closeout.

NOAA closeout procedures do not address Uniform Commercial Code Form I (UCC-I) filing requirements and the need for a statement from a licensed attorney certifying that the federal interest has been protected for construction-related grants. The federal government retains an interest in all real and personal property obtained with federal funds. According to the NTIA fact sheet on BTOP federal interest documentation requirements, the grant recipient "shall not sell, lease, transfer, assign, convey, hypothecate, mortgage, or otherwise convey any interest in the BTOP property without prior written approval of the Grants Officer." The UCC-I filing is made to secure and perfect the federal interest in the property, in accordance with the applicable state's law. The written statement from a licensed attorney certifies that the federal interest has been protected as required under the award (the Department's *Grants and Cooperative Agreements Manual*, chapter 17, paragraph H [2c]). NOAA's closeout procedures did not include the UCC-I filing requirement or the attorney certification requirement. While the one closed Comprehensive Community Infrastructure grant administered by the agency did contain a UCC-I filing, the lack of these requirements within the closeout procedures does not provide confidence that this action will be taken for future award closeouts. Without the UCC-I filing requirement and attorney certification being addressed in the closeout procedures, the grants office cannot verify that the government's interest has been secured (that is, the government will receive the compensation it is due) in the event property is sold.

NOAA closeout procedures do not address audit report requirements. BTOP grant recipients are required by the Notice of Funds Availability to submit an organization-wide financial and compliance audit report. More specifically, for-profit BTOP grant recipients are required to submit program specific audit results within 90 days following the expiration of the grant period. Failure to have an audit or submit the report could result in BTOP funds being spent on unallowable costs going undetected.

C. *Weaknesses with NIST's and NOAA's closeout procedures*

Neither NIST's SOP nor NOAA's closeout procedures address government compensation for aggregate supplies valued at greater than \$5,000. Federal regulations (15 CFR, sections 14.35, 24.33) require that the government be compensated for its share of supplies with an aggregate value of greater than \$5,000 if those supplies will no longer be used for federal programs. Supplies include equipment with a per-unit acquisition cost of less than \$5,000, such as computers, routers, or other digital hardware (15 CFR, sections 14.2, 24.3). To be comprehensive, the agencies' SOP and closeout procedures should include information on government compensation for unused supplies. This would ensure that all grants office personnel know of the

requirement, thereby reducing the chance of the government not receiving compensation it is due prior to the closure of the award.

II. Standard Operating and Closeout Procedures Were Not Always Followed and Grant Files Were Incomplete

In addition to reviewing grant closeout policies and procedures, we reviewed the five grants that had closed and the six grants nearest completion of the closeout process. Table 2 shows the status of the 11 grants reviewed:

Table 2. Grants Reviewed for Compliance with Regulations

Recipient	Type ^a	Grant End Date	Original Grant Amount (\$)	Status	Compliant with Closeout Process
North Georgia Network Cooperative, Inc.	CCI	11/30/2012	33,490,537	Expired	N
South Dakota Network, LLC	CCI	11/30/2012	20,572,242	Expired	N
Silver Star Telephone Company, Inc.	CCI	12/31/2012	5,063,623	Expired	Y
Hardy Telecommunications, Inc.	CCI	12/31/2012	3,201,760	Expired	N
Georgia Partnership for Telehealth, Inc.	SBA	09/30/2012	2,462,975	Closed	N
The Inland Northwest Community Access Network (TINCAN)	PCC	11/30/2012	1,283,641	Expired	N
Arizona State Library Archives and Public Records	PCC	11/30/2012	1,278,528	Expired	N
Michigan State University	PCC	01/31/2012	895,482	Closed	N
New York Department of Labor	PCC	03/31/2012	536,737	Closed	N
City of Williamstown (KY)	CCI	06/30/2012	535,308	Closed	N
Santa Fe (NM) Civic Housing Authority	PCC	06/30/2012	176,400	Closed	N

Source: NTIA *Broadband Programs Status* and OIG quarterly drawdown reports

^a NOAA administers CCI grants and NIST administers PCC and SBA grants.

We reviewed the closed grants to determine whether appropriate steps were taken to complete grant closeout, whether required closeout documentation was included in the grant file, and whether unspent grant funds needed to be returned to the government. We did not find unspent grant funds in the grant recipient's ASAP accounts. We selected a sample of six expired (grant award period has ended) grants in the closeout phase to determine whether the required closeout documentation had been submitted on time.

We found:

- **Nine of the 11 (82 percent) reviewed grants exceeded the 90-day document submission period without receiving an approved extension of that period.** Federal requirements allow grant recipients 90 days from the award end date to submit all required closeout documentation (15 CFR, sections 14.71(a) and 24.50(b)). Extensions must be approved and document the reason for the delay. The lack of documented approval for an extension in nine instances demonstrates that the grants office should be more involved in ensuring recipient adherence to federal requirements in the closeout process. This raises the concern that other federal requirements may not be met.
- **Letters notifying recipients of the required closeout documentation were not sent out 30 days before the award end date.** NOAA sends neither a 30-day notification (a reminder notifying the recipient that their grant period is about to expire) nor a list of required documentation necessary to close the award. NOAA stated that, instead of sending out the notification package, it relies on the federal program officer's notifications and system-generated² notifications sent to the recipients after the end of their award period. These notifications inform the recipient of due dates for the Federal Financial report (SF-425) and Performance Progress report, which are among the documents that BTOP grant recipients are required to submit before closeout. The system-generated notifications do not address any other required documentation. The 30-day notice facilitates the timely closing of BTOP grants by providing a comprehensive list of required documents. Omitting the 30-day notice may delay grant closeout.

The "Closeout Process" instructions by NIST's Grants and Agreements Management Division state that "30 days prior to the end date of the grant/cooperative agreement, the Grants Specialist will send out the 90 days closeout letter to the recipients." This letter provides recipients advance notice of the documentation required for a timely closeout. Closeout letters were sent after the award end date for five of the six NIST-administered (PCC and SBA) grants reviewed and date-stamped 33 to 78 days late. For example, the 90-day closeout letter to Michigan State University was sent 48 days after the end of the award, making it 78 days late. The date was not stamped on one closeout letter, so we could not determine when it was sent. NIST explained that it was still working on the closeout process when the awards were expiring.

- **Some grant files did not contain all the required documentation, or the documentation was added after the grant was closed.** NIST and NOAA list documents that must be obtained to complete and close a grant. Among the required items are the Real Property Status report and a list of patents obtained as a result of the BTOP project. We did not find any issues with the PCC and SBA grants reviewed regarding the Real Property report or the Patent report; however, two of five CCI recipients reviewed (South Dakota Network and Hardy Telecommunications) had not filed the Real Property report or the Patent report, which should have been filed by

² Grants Online is the grants management system used by NOAA.

March 31, 2013. When the grant for the City of Williamstown, Kentucky, was closed, neither the Real Property nor Patent reports had been received or reviewed, which could leave the federal government share unprotected and its compensation lost in the event the property is sold. Grants office personnel stated that some recipients did not acquire real property or patents during their grant periods. To strengthen their processes, both NOAA and NIST now require that these documents be submitted for all grants. For grants that have not acquired real property or patents, the forms will verify that fact.

III. Inconsistent Approach to Grant Closeouts among NTIA's Federal Program Officers

From our interviews with four federal program officers, we found that one of the officers did not provide or refer the grant recipient to the closeout packet specifying the document requirements and closeout process. The section on grant monitoring in *Federal Program Officer Handbook: Grant Monitoring Procedures* states that the "Program Office sends closeout Guidance Documentation, including a closeout reminder letter and recipient checklist, to recipient 90 days prior to the scheduled project end date." The notification and checklist assure timely document submission and grant closeout. If the information is not provided to the grant recipient, the closeout may be delayed due to incomplete documentation.

We discussed our findings with grants officials at NIST and NOAA. We acknowledge that during our review NTIA, NIST, and NOAA have been working to improve their processes. Although SOPs and closeout procedures have not been updated, grants staffs at the agencies have begun implementing changes to improve the closeout process.

IV. Post-Fieldwork Issue Identified with a Lack of a Single Audit for a BTOP Recipient

Subsequent to completion of fieldwork, NTIA brought to our attention that a grant recipient would not be able to complete the required A-133³ audit for 2013, even though it had expended the entire \$28 million grant award. On November 6, 2013, NTIA notified the grant recipient that a final audit was required. In response, the grant recipient told NTIA that it would not be able to complete an audit for 2013 as it was closing the business. Although grant funds are provided to recipients to cover the cost of audits, the NIST grants program officer did not properly monitor the drawdown of funds to ensure that adequate funds remained for the final audit.

³ OMB Circular A-133 requires that all non-federal entities (that is, states, local governments, and nonprofit organizations) expending \$500,000 or more a year in federal awards conduct an audit for that year.

Recommendations

We recommend that the Assistant Secretary for Communications and Information of the National Telecommunications and Information Administration direct

1. NIST and NOAA grants offices to
 - a. update their closeout procedures to include all required documentation to be obtained and reviewed before closing the grant,
 - b. require that all grant recipients who will not meet the 90-day reporting period request an extension before the award period ends,
 - c. work with NTIA to develop procedures to address unused supplies with an aggregate value of greater than \$5,000, and
 - d. implement a procedure to ensure that adequate grants funds are available to cover the cost of required financial and compliance audit reports.
2. The NIST grants office to update its standard operating procedures to include (a) a process for recovering unspent advances and (b) a record-retention requirement in the body of the SOP.
3. NOAA to update its closeout procedures to include the following requirements:
 - a. Real Property Status Report (SF-429),
 - b. Tangible Personal Property Report (SF-428),
 - c. Financial Status Report (SF-269) and Outlay Report and Request for Reimbursement for Construction Programs (SF-271) for BTOP grants with a construction component,
 - d. audit report requirements,
 - e. Uniform Commercial Code-U filing requirement, where applicable, and
 - f. notification to recipients 30 days prior to award end.
4. NTIA to remind all federal program officers to follow the predefined process for guiding grant recipients through closeout—which could be accomplished through staff training, webinars, or a memorandum to staff reminding them of their responsibility to follow procedures.

Summary of Agency Response and OIG Comments

In responding to our draft memorandum, NTIA, NOAA, and NIST provided separate responses acknowledging our recommendations, and described the steps they have taken and are taking to address them.

NTIA stated that they will consult with NIST and NOAA to ensure all required documentation is obtained and reviewed before closing out awards; develop recipient guidance and internal

procedures for the disposition of unused supplies with an aggregate value greater than \$5,000; offer assistance to NIST in implementing revisions to its SOP; and continue with training efforts to ensure that Federal Program Officers uniformly implement established closeout procedures.

NIST concurred with our findings and is revising its closeout SOP.

NOAA has updated its closeout procedures and included them in Grants Management Division Alert no. 2014-001. NOAA also provided explanations for the five CCI grants that were not compliant with the closeout process.

We acknowledge that NTIA, NIST, and NOAA have dedicated significant efforts to strengthening closeout procedures and look forward to the action plan that NTIA will submit to respond to the memorandum.

We would like to express our thanks to the NTIA, NOAA, and NIST staff for courtesies shown to us during our audit. Please direct any questions regarding this audit to Chris Rose, Senior Auditor, Recovery Act Task Force, at (202) 482-5558 or crose@oig.doc.gov, and refer to the memorandum title in all correspondence.

cc: Anthony Wilhelm, Chief of Staff, Office of the Assistant Secretary, NTIA
Aimee Meacham, Director, Program Services, BTOP, NTIA
Kathy Smith, Chief Counsel, NTIA
Mack Cato, Director, NOAA Audits Office and Audit Liaison
Arlene Simpson-Porter, Division Director, NOAA Acquisition and Grants Office
Cecelia Royster, Division Chief, NIST Grants and Agreements Management Division
Milton Brown, Audit Liaison, NTIA
David Swanson, Audit Liaison, NIST

Appendix A: Objectives, Scope, and Methodology

The objectives of our audit were to evaluate whether grant project closeout policies and procedures established for BTOP were adequate to effectively administer closeout activities, and assess if closeout procedures were being followed as BTOP grants are closed.

To accomplish our audit objectives, we

- interviewed NTIA program and NOAA and NIST grants officers;
- identified and reviewed NTIA and grants offices closeout procedures;
- identified training and guidance NTIA has provided to recipients on closeouts;
- reviewed grant files, including recipient-submitted closeout documentation and the closeout process for a sample of BTOP grants; and
- reviewed NTIA presentation materials regarding closeout.

We reviewed the following laws, regulations, and policies:

- Department of Commerce Financial Assistance Standard Terms and Conditions
- Department of Commerce *Grants and Cooperative Agreements Manual*
- 15 Code of Federal Regulations (CFR), Part 14
- 15 CFR, Part 24
- Notice of Funds Availability 1 and 2
- BTOP *Recipient Handbook*
- BTOP *Federal Program Officer Handbook: Grant Monitoring Procedures*
- NIST Grants and Agreements Management Division, Standard Operating Procedures 00-02A
- NOAA Grants Management Division Alert 2012-02
- NTIA Award Closeout Notification Package

We reviewed internal controls significant within the context of the audit objective by interviewing NTIA officials and NOAA and NIST grants officers, examining policies and procedures, and reviewing documentation for evidence of internal controls. We found that corrective actions are needed to improve internal controls. These issues are discussed in the findings of this report.

To satisfy our audit objectives, we did not rely on computer-processed data. Instead, we reviewed documentation submitted by grant recipients; therefore, we did not test the reliability of information technology systems.

The audit was conducted at various bureau locations in March–May 2013 under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated April 26, 2013. 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.

Appendix B

Table B-1. Targeted Completion Date for BTOP Projects as of July 8, 2013^a

Expiration ^b	Award Value (\$)	CCI	SBA	PCC	Total
January 2012	895,482	0	0	1	1
March 2012	536,737	0	0	1	1
June 2012	176,400	0	0	1	1
August 2012	535,308	1	0	0	1
September 2012	2,462,975	0	1	0	1
November 2012	56,624,948	2	0	2	4
December 2012	23,594,509	2	1	3	6
January 2013	92,664,518	10	1	5	16
February 2013	28,355,775	2	2	3	7
March 2013	14,331,982	1	1	2	4
May 2013	13,401,096	1	0	0	1
June 2013	267,653,230	11	1	6	18
July 2013	1,178,947,669	37	8	12	57
August 2013	708,816,236	16	12	10	38
September 2013	1,202,213,188	29	16	18	63
December 2013	91,791,956	2	0	1	3
January 2014	45,445,444	1	0	0	1
August 2014	9,002,788	1	0	0	1
TOTAL	\$3,737,450,241	116	43	65	224^c

Source: NTIA

^a Updated information received from NTIA on September 16, 2013, reports that 43 grants representing approximately \$1.5 billion will extend beyond September 30, 2013. This includes 24 grants to be completed October through December 2013, 15 grants to be completed in 2014 and 4 grants to be completed in 2015.

^b Expiration dates include approved extensions as of July 8, 2013.

^c Recipients are authorized to request post-September 30, 2013, end dates per the Office of Management and Budget's approval of the Department's programmatic waiver request.

Appendix C: Agency Responses



UNITED STATES DEPARTMENT OF COMMERCE
National Telecommunications and
Information Administration
Washington, D.C. 20230

November 14, 2013

Ann Eilers,
Principal Assistant Inspector General for Audit and Evaluation
United States Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Ms. Eilers:

This letter responds to your September 23 2013 Draft Memorandum *Closeout Procedures Need Strengthening for the Broadband Technology Opportunities Program* (BTOP). As you noted in previous reports, the National Telecommunications and Information Administration (NTIA) implemented a rigorous monitoring and oversight plan for BTOP grants. NTIA carried that rigor forward with the development of its BTOP project closeout process, and as NTIA has discussed with you in the past, established numerous methods for ensuring effective guidance throughout the process. However, we understand the Office of Inspector General's (OIG) concerns and thank you for the opportunity to respond to the above referenced Draft Memorandum. NTIA is confident that working together with the OIG, the National Oceanic and Atmospheric Administration (NOAA), and the National Institute of Standards and Technology (NIST), the BTOP program will be able to provide its recipients adequate and comprehensive closeout guidance, while, as always, ensuring effective stewardship of federal funds.

We acknowledge your four recommendations and will take the steps outlined below, where appropriate, to implement procedural and policy changes.

Recommendation 1: The Assistant Secretary for Communications and Information should direct the NIST and NOAA grants offices to:

- a. Update their closeout procedures to include all required documentation to be obtained and reviewed before closing the grant***

Since receiving the Draft Memorandum, NTIA contacted NOAA and NIST and understands that both will reply directly to the OIG's recommendations or have already done so. NTIA believes that this approach best allows for the resolution of all of the OIG's recommended actions.

NTIA will consult with NIST and NOAA to ensure that all required documentation is obtained and reviewed before closing out grants. Further, NTIA plays an active role in reviewing closeout documentation, independent of any grants office review, and will continue to play this role. NTIA believes that this dual review process will ensure that all documentation is properly provided, submitted, and adequately complies with the program's requirements. However, the NOAA and NIST grants offices have final authority as to when and whether an award is officially closed.

- b. Require that all grant recipients who will not meet the 90-day reporting period request an extension before the award period ends***

NTIA believes that NIST and NOAA are already working to address this recommendation by implementing internal procedural changes and through their direct interaction with the OIG. Additionally, NTIA will continue to work directly with recipients to ensure that all documentation is submitted in a timely manner, with the goal of minimizing the number of recipients that need to request an extension of the closeout period.

- c. Work with NTIA to develop procedures to address supplies with an aggregate value of greater than \$5,000***

NTIA is developing recipient guidance and internal procedures for the disposition of unused supplies with an aggregate value of greater than \$5,000. NTIA will finalize this guidance after consulting with NOAA, NIST, and the Department's Federal Assistance Law Division.

Recommendation 2: Direct the NIST grants office to update its standard operating procedures to include (a) a process for recovering unspent advances and (b) a record-retention requirement in the body of the SOP

NTIA believes that this issue should be resolved through NIST's direct interaction with the OIG. NTIA will, however, raise this issue with the NIST grants office and offer consultation in implementing these revisions.

Recommendation 3: Direct NOAA to update its closeout procedures to include requirements related to audits, tangible personal property documentation, and reporting documentation for construction awards

As previously mentioned, NTIA expects that NOAA's direct interaction with the OIG will resolve the issue. NTIA believes that NOAA has already taken steps to address the OIG's concerns. As detailed in its response to the Draft Memorandum, NOAA adjusted the automatic notices distributed by Grants Online as a recipient approaches award closeout, addressing a number of the issues raised by the OIG¹. NOAA's Grants Management Division Alert 2014-001 further addresses the OIG's recommendation by reminding the division and BTOP Grants Specialists of their responsibilities.²

¹ National Oceanic and Atmospheric Administration, Response to Draft Memorandum – Closeout Procedures Need Strengthening for the Broadband Technology Opportunities Program (Oct. 22, 2013).

² National Oceanic and Atmospheric Administration, Grants Management Division Alert #2014-001 (Oct. 22, 2013).

NOAA requires recipients on agency review status to submit the Outlay Report and Request for Reimbursement for Construction Programs (SF-271) with each drawdown request. NOAA's response and Grants Management Division Alert 2014-001 indicate that NOAA has incorporated a final SF-271 for BTOP recipients on agency review status³. Otherwise, the information contained in the SF-271 (i.e., cumulative drawdowns by budget line item) is covered by the final BTOP Performance Progress Report and the final SF-424C, which NOAA is collecting. As such, NTIA does not believe that the imposition of an additional, and potentially duplicative, report is a reasonable or efficient use of federal and recipient time or money, and offers little discernible benefit.

Regarding Financial Status Report (SF-269), NTIA understands that this form is obsolete, and having been discontinued as of October 2009 and replaced by Federal Financial Report SF-425 which NOAA requires.⁴

Recommendation 4: Remind all federal program officers (FPOs) to follow the predefined process for guiding grant recipients through closeout—which could be accomplished through staff training, webinars, or a memorandum to staff reminding them of their responsibility to follow procedures

NTIA appreciates OIG's feedback, and has taken several actions to prepare FPOs, recipients, and contractor support staff for the closeout process, including developing the Recipient Handbook, the FPO Handbook, Closeout Notification Packages, Closeout Toolkits, and numerous other materials providing guidance on particular aspects of the closeout process. Additionally, since the start of the year, NTIA conducted three FPO-specific training sessions on closeout issues, five closeout training sessions for recipients, and six closeout office hour sessions, where recipients could freely and openly ask questions of senior BTOP staff and closeout team members. Further, BTOP compliance staff responded to numerous closeout-related inquiries and are always willing to lend support where appropriate. NTIA believes that these efforts have laid a strong institutional foundation for understanding and facilitating the closeout process.

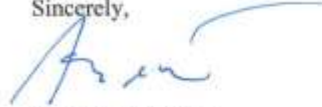
However, as NTIA considers the findings and recommendations of the OIG's reports, NTIA will continue its staff and recipient training efforts to ensure that FPOs uniformly implement established closeout procedures. To this end, NTIA has already scheduled additional FPO and recipient closeout trainings and will continue to work with FPOs to address any inconsistencies as they arise.

³ See *id.* (detailing the addition of the SF-271 requirement and including it in the divisions Closeout notification email copied in Appendix B).

⁴ See General Services Administration, Forms Library, available at <http://www.gsa.gov/portal/forms/download/116018>; Office of Management and Budget, Grants Management Division, available at http://www.whitehouse.gov/sites/default/files/omb/grants/approved_forms/SF-425.pdf.

I look forward to continuing to work with you as NTIA carries out this important program to expand broadband access and adoption in the United States. If NTIA may be of further assistance, please contact Milton Brown, NTIA's OIG Liaison, at (202) 482-1853.

Sincerely,



Anthony Wilhelm

Attachment

cc: Todd J. Zinser, Inspector General, U.S. Department of Commerce
Chris Rose, Senior Auditor, Recovery Act Task Force, OIG
Milton Brown, NTIA
Tracy Jackson, NOAA
Leon Sampson, NIST
Cecelia Royster, NIST
Jannet Cancino, NIST
Arlene Simpson-Porter, NOAA
Larry Jenkins, NOAA
Aimee Meacham, NTIA



UNITED STATES DEPARTMENT OF COMMERCE
National Institute of Standards and Technology
Gaithersburg, Maryland 20899-

NOV 22 2013

MEMORANDUM FOR: Ann Eilers
Principal Assistant Inspector General for Audit and Evaluation
United States Department of Commerce
Office of Inspector General (OIG)

From: Cecelia Royster, Acting Division Chief
Grants Management Division (GMD)
National Institute of Standards and Technology (NIST)

Subject: Response to Closeout Procedures Need Strengthening for the
Broadband Technology Opportunities Program Draft
Memorandum from the OIG

This memorandum provides the official NIST GMD response to the above mentioned OIG draft memorandum. NIST GMD concurs with the NIST related findings in the draft BTOP Close-out audit report submitted for review. Below is a chart that provides our proposed actions to implement the OIG recommendations stated in the draft audit report.

Recommendation	Suggested Implementation
1a-Update closeout procedures to include all required documentation be obtained and reviewed before closing grant.	GMD's revised closeout SOP is currently under review. The revised SOP includes specific guidance that directly addresses required documentation and procedures referenced in recommendation 1a. The current closeout draft SOP will satisfy recommendation 1a.
1b- Require all grant recipients who will not meet the 90-day reporting period request and extension before the award period ends.	GMD will revise the current SOP and closeout letter to include specific guidance to address the need for and timing of the written request to extend the 90-day reporting period.

NIST

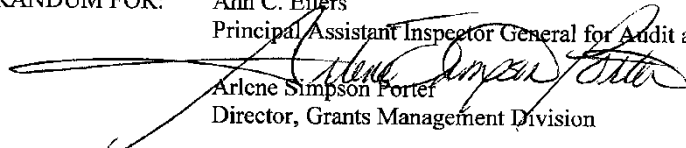
Recommendation	Suggested Implementation
2-Update the SOP to include a process for recovering unspent advances and record-retention requirements.	<p>GMD will revise its SOP to provide guidance on processes that recover unspent advances.</p> <p>GMD current SOP includes records retention guidance as an appendix. GMD will revise the SOP to include records retention guidance in the text versus appendix of the SOP.</p>



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
ACQUISITION AND GRANTS OFFICE

OCT 22 2013

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

FROM: 
Arlene Simpson Porter
Director, Grants Management Division

SUBJECT: Response to Draft Memorandum - Closeout Procedures Need
Strengthening for the Broadband Technology Opportunities
Program

Thank you for the opportunity to provide a response to the Office of Inspector General (OIG) draft memorandum, dated September 23, 2013.

The purpose of the draft memorandum is to provide to Department of Commerce bureaus, the results of your audit assessing the effectiveness of closeout procedures for the National Telecommunications and Information Administrations (NTIA's) Broadband Technology Opportunities Program (BTOP) and the grants offices which administer closeout of BTOP grants.

Outlined below are responses from the NOAA Grants Management Division (GMD) on the findings and recommendations specific to BTOP grant closeout managed by NOAA:

Weaknesses with NOAA's operating procedures for closeouts.

NOAA's closeout procedures do not address all required closeout documentation. NOAA's closeout procedures do not address the following requirements for documentation:

- Real Property Status Report (SF-429),
- Tangible Personal Property Report (SF-428),
- Federal Financial Report (SF-425) and Outlay Report and Request for Reimbursement for Construction Programs (SF-271) for BTOP grants with a construction component,
- Audit reports

NOAA Grants Management Division Response:

NOAA worked in collaboration with NTIA to develop BTOP specific closeout procedures in accordance with Federal regulations 15 CFR 14.71 and 24.50 for use by the NOAA Grants Management Division staff in administering each of the following phases for consistent closeout of BTOP grants:

- Pre-closeout,
- Financial closeout, and
- Administrative closeout.

NOAA's BTOP specific closeout procedures have been updated to include the following required closeout documentation:

- Real Property Status Report (SF-429),
- Tangible Personal Property Report (SF-428),
- Federal Financial Report (SF-425) and Outlay Report and Request for Reimbursement for Construction Programs (SF-271) for BTOP grants with a construction component,
- Audit report requirements,
- Uniform Commercial Code-1 (UCC-1) filing requirement, where applicable, and
- Notification to recipients 30 days prior to award end.

Additionally, NOAA has implemented a BTOP Closeout Checklist for use by the NOAA Grants Management Division staff. The BTOP Closeout Checklist will be used for each individual recipient award and outlines required information to be filled in by the grants Management Division staff, and required documentation the staff must monitor for submission by the Recipient.

See attached GMD Alert 2014-001.

NOAA closeout procedures do not address Uniform Commercial Code Form I (UCC-I) filing requirements and the need for a statement from a licensed attorney certifying that the federal interests has been protected for construction-related grants.

NOAA's closeout procedures did not include the UCC-I filing requirements or the attorney certification requirement. While the one closed Comprehensive Community Infrastructure grant administered by the agency did contain a UCC-1 filing, the lack of these requirements within the closeout procedures does not provide confidence that this action will be taken for future award closeouts. Without the UCC-I filing requirement and attorney certification being addressed in the closeout procedures, the grants office cannot verify that the government's interest has been secured (that is, the government will receive the compensation it is due) in the event property is sold.

NOAA Grants Management Division Response:

As noted above, NOAA has developed BTOP specific closeout procedures and a BTOP Closeout Checklist which includes the Uniform Commercial Code-1 (UCC-1) filing and Attorney Certification requirement. Specifically stating the following required action the Recipient must take – Recipients with awards that include a construction component are required to record the Federal Interest in BTOP property and provide an attorney’s certification that this interest has been properly protected.

Additionally, Recipients with a Security Interest Special Award Condition are notified of the requirement to submit:

- Covenant of Purpose to document the Federal Interest in real property,
- UCC-1 to document the Federal Interest in fixtures or personal property other than supplies, and
- Attorney Certification that documents were properly executed and filed in accordance with state law.

NOAA closeout procedures do not address audit report requirements.

BTOP grant recipients are required by the Notice of Funds and Availability to submit an organization-wide financial and compliance audit report. More specifically, for-profit BTOP grant recipients are required to submit program specific audit results within 90 days following the expiration of the grant period. Failure to have an audit or submit the report could result in BTOP funds being spent on unallowable costs going undetected.

NOAA Grants Management Division Response:

As noted above, NOAA has developed BTOP specific closeout procedures and a BTOP Closeout Checklist which includes the program-specific audit requirement. Commercial and For-Profit entities are required to submit a program-specific audit if they received a BTOP award greater than \$100,000. The recipient is required to submit a copy of the audit report within 90 days after the award expiration date to the DOC Office of Inspector General (OIG) and the NOAA Grants Management Specialist.

NOAA’s closeout procedures do not address government compensation for aggregate supplies valued at greater than \$5,000.

Federal regulations (15 CFR, sections 14.35 and 24.33) require that the government be compensated for its share of supplies with an aggregate value of greater than \$5,000 if those supplies will no longer be used for federal programs. Supplies include equipment with a per-unit acquisition cost of less than \$5,000, such as computers, routers, or other digital hardware (15 CFR, sections 14.2 and 24.3). To be comprehensive, the agencies closeout procedures should include information on government compensation for unused supplies. This would ensure that all grants office personnel know of the requirement, thereby reducing the chance of the government not receiving compensation it is due prior to the closure of the award.

NOAA Grants Management Division Response:

As noted above, NOAA has developed BTOP specific closeout procedures, which includes the Tangible Personal Property Report (SF-428, B, S) and Real Personal Property Status Report (SF-429) requirement. Specifically stating the following required action(s) the Recipient must take

- Tangible Personal Property Report (SF-428,B, S);
 - Recipients must account for BTOP-funded equipment. This includes all equipment purchased at a cost of \$5,000 or greater and unused residual supplies valued at \$5,000 or more. Items with a current fair market value of \$5,000 or more must be listed on attached B of the SF-428.
- Real Personal Property Status Report (SF-429);
 - Recipients must account for BTOP-funded real property. This includes all property acquired or improved under the BTOP award. If no real property has been acquired or improved using BTOP funds, the recipient should indicate this in the comments section of the SF-429.

Nine of the 11 (82 percent) reviewed grants exceeded the 90-day document submission period without receiving an approved extension of that period.

Federal requirements allow grant recipients 90 days from the award end date to submit all required closeout documentation (15 CFR, sections 14.71(a) and 24.50(b)). Extensions must be approved and document the reason for the delay. The lack of documented approval for an extension in nine instances demonstrates that the grants office should be more involved in ensuring recipient adherence to federal requirements in the closeout process. This raises the concerns that other federal requirements may not be met.

NOAA Grants Management Division Response:

NOAA administered five of the nine identified grants. Table 2 of the draft memorandum shows that four of the five CCI grants were not compliant with the Closeout Process. For the four out of five grants, the SF-428, SF-429 and UCC-1 forms took much longer to complete than had been anticipated. Many of these required forms for closeout had to be returned for corrections.

Additionally, the NOAA Grants Management Division learned that Grants Online wouldn't permit an extension to the closeout for awards that were de-obligated. As a result, the NOAA Grants Management Division and NTIA reformed the Recipient Closeout Webinars to emphasis more on filing correct Closeout documentation.

Moreover, please see below for specificities on the issues encountered for each identified CCI award:

Recipient	Type	Grant End Date	Original Grant Amount (\$)	Status	Compliant with Closeout Process
North Georgia Network Cooperative, Inc.	CCI	11/30/2012	\$33,490,537	Expired	N

Background

On December 1, 2012, North Georgia Network Cooperative, Inc. (NT10BIX5570004) began their closeout period.

On June 19, 2013, the award was officially closed. The recipient did not ask for an extension to closeout because all the original documents that were requested of them were provided and attached by the February 28th, 2013 closeout deadline.

Issue

It wasn't until the closeout responsibility was on the Grants Office side that we discovered some issues and requested revisions. That is why many documents were updated and attached after the recipient's closeout period. Additionally, the Program Office had created some additional requirements such as the Program Officer checklist that was not part of the original request. The Program Officer checklist was not completed until one week after the Grant Office window had closed. The award was closed shortly after that.

On another note, the final ARRA report is a requirement for closeout but due to timing of the cycles, there are many times where the report will have to be attached after the award is closed out.

Recipient	Type	Grant End Date	Original Grant Amount (\$)	Status	Compliant with Closeout Process
South Dakota Network, LLC	CCI	11/30/2012	\$20,572,242	Expired	N

Background

On November 30, 2013, South Dakota Network (NT10BIX5570003) expired and the closeout period scheduled through February 28, 2013 began.

Issue

South Dakota Network attempted to submit an AAR to extend the closeout period by 60 days but did not have the ability in Grants Online. South Dakota Network submitted a formal request to extend their closeout period to the Grants Office through email and a copy was attached to the Grant File. Grants Online Help Desk advised the Grants Office that there was no technical need to extend the closeout period in the system, as long as the extension to closeout was approved internally. All closeout documentation was received and attached to the file by March 28, 2012

with the exception of the patents and copyrights letter, SF-428, and SF-429, all of which were submitted in April, and the UCC-1. The financial closeout is complete; however, the Grants Office still has not received the reviewed and accepted copy of the UCC-1 from the Program Office which is necessary to complete the administrative closeout.

Recipient	Type	Grant End Date	Original Grant Amount (\$)	Status	Compliant with Closeout Process
Silver Star Telephone Company, Inc.	CCI	12/31/2012	\$5,063,623	Expired	Y

Background

On November 6, 2012 Silver Star Telephone Company (NT10BIX5570077) submitted a request to terminate for convenience early on December 31, 2012 instead of June 30, 2013. On March 26, 2013, requested an extension to Closeout to May 30, 2013.

On June 27, 2013 the Grants officer approved Financial Closeout.

On July 5, 2013, all required closeout documentation was received from the Program Office within Grants Online.

Issue

The final Performance Progress Report has not been approved by the Program Office. The Grants Office cannot initiate the administrative closeout until this report has been accepted in Grants Online.

Recipient	Type	Grant End Date	Original Grant Amount (\$)	Status	Compliant with Closeout Process
Hardy Telecommunications, Inc.	CCI	12/31/2012	\$3,201,760	Expired	N

Background

Hardy Telecommunications, Inc. (NT10BIX5570035) submitted closeout documents within the 90-day closeout period. No request for closeout extension was necessary. There were issues with the UCC-1 that took time to resolve.

Issue

The closeout documents were submitted to the Program Office through the PAM system. The documents were reviewed and approved and sent to the Grants Office where the specialist uploaded the documents into Grants Online on June 20, 2013. The issue is that during the period

that closeout documents are in review with the Program Office, it appears in Grants Online as if these documents are outstanding. The Grants Office will work with the Program Office to develop a process to document the dates of the original submissions moving forward.

Recipient	Type	Grant End Date	Original Grant Amount (\$)	Status	Compliant with Closeout Process
City of Williamstown (KY)	CCI	06/30/2012	\$535,308	Closed	No

Background

On March 27, 2012, City of Williamstown (NT10BIX5570058) submitted an Award Action Request (AAR) for Termination for Convenience. However, the AAR was not forwarded from the Program Office to the NOAA Grants Management Division until June 25, 2012.

On June 26, 2012, the AAR Termination for Convenience was reviewed and accepted by the NOAA Grants Officer. However, a process error occurred when Grants Online instructed the ASAP Authorizer to terminate ASAP access immediately on June 28, 2013. With only two days until shutdown, and the AOR unavailable, the NOAA Grants Officer requested Grants Online extend the termination through August 31, 2013 to allow remaining funds to be withdrawn. During this extensions period, a work-around was developed to allow for a 90 day closeout period in ASAP for awards that terminate early.

On June 30, 2012, City of Williamstown Terminated for Convenience.

On September 24, 2012, City of Williamstown made their final drawdown. The NTIA Program Office then requested that the award expiration date be reverted back to June 30, 2012 to properly account for program income. This adjustment created confusion within the Grants Online System, creating duplicate place holders for reports and final report due dates that were five months past the expiration date, instead of the required 90 days.

On November 30, 2012, City of Williamstown submitted all closeout documentation and the financial closeout began.

On February 8, 2013, an issue with Grants Online pertaining to the Final Performance Progress Report was corrected and the file was sent to NIST Finance to complete the Financial Closeout. NIST Finance immediately returned the file citing a de-obligation error.

On March 7, 2013, the NOAA Grants Management Division and NIST Finance Office came to agreement on De-obligation Memo language and the financial closeout and administrative closeout were completed.

This explanation along with supporting email threads were attached to the grant file in the Correspondence and Federal Reports and Attachments sections. Williamstown did not receive any patents or copyrights as a result of the B1OP grant. By suggestion of the OIG, a document from Williamstown stating this fact was attached to the grant file on April 4, 2013.

Issue

City of Williamstown, KY (NT10BIX5570058) was the first BTOP CCI award to close. The Williamstown grant experienced several technical issues that NOAA, NTIA, NIST and Grants Online did not anticipate. These issues led to the creation of several adjustments to closeout procedure that are now used to close the remaining grants.

Letters notifying recipients of the required closeout documentation were not sent out 30 days before the award end date.

NOAA sends neither a 30-day notification (a reminder notifying the recipient that their grant period is about to expire) nor a list of required documentation necessary to close the award. NOAA stated that, instead of sending out the notification package, it relies on the federal program officer's notifications and system-generated notifications sent to the recipients after the end of their award period. These notifications inform the recipient of due dates for the Federal Financial report (SF-425) and Performance Progress report, which are among the documents that BTOP grant recipients are required to submit before closeout. The system-generated notifications do not address any other required documentation. The 30-day notice facilitates the timely closing of BTOP grants by providing a comprehensive list of required documents. Omitting the 30-day notice may delay grant closeout.

NOAA Grants Management Division Response:

Currently the NOAA Grants Online System sends an automatic advance notice of all Final Reports due 45 days before and then 15 days before the due date.

The NOAA Grants Management Division has composed and implemented an email notification template that list all required closeout documents and provides a direct link to retrieval of each. The email notification template will be used for all BTOP awards due to expire after October 1, 2013.

Additionally, the NOAA Grants Management Division will work with Grants Online to establish a 30 day notification. Due to coding changes that will have to go into Production, this update will be implemented in December 2014.

Thank you again for the opportunity to respond to the Office of Inspector General (OIG) draft memorandum. If you have any questions, please contact Ms. Tracy Jackson at 301-628-1323 or email at tracy.jackson@noaa.gov.