

Audit of NTIA's Allocation of Funds for the BEAD Program

REPORT NO. OIG-27-002-A

October 27, 2026





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MEMORANDUM FOR: Arielle Roth
Assistant Secretary of Commerce for Communications and
Information and NTIA Administrator
National Telecommunications and Information Administration

A handwritten signature in cursive script, reading "Arthur L. Scott Jr.", in dark ink.

FROM: Arthur L. Scott Jr.
Assistant Inspector General for Audit and Evaluation

SUBJECT: *Audit of NTIA's Allocation of Funds for the BEAD Program*
Report No. OIG-27-002-A

Attached is the final report on our audit of the National Telecommunications and Information Administration's allocation of the Broadband Equity, Access, and Deployment Program funds provided to states and territories. We will post the report on [our website](#) per the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404, 420).

By December 22, 2026, please provide an action plan addressing the report's recommendation, as required by Department Administrative Order 213-5.

We appreciate your staff's cooperation and professionalism during this audit.

Attachment





Introduction

The Infrastructure Investment and Jobs Act (IIJA) authorized \$65 billion in broadband deployment initiatives.¹ The National Telecommunications and Information Administration's (NTIA's) Office of Internet Connectivity and Growth administers four broadband grant programs, totaling \$48.2 billion. The Broadband Equity, Access, and Deployment (BEAD) program is the largest federal broadband investment, providing \$42.45 billion to expand affordable, reliable high-speed internet access to areas that need it.

As required by IIJA,² NTIA allocated \$100 million to each state, the District of Columbia, and Puerto Rico, and \$25 million each to four other U.S. territories (collectively, the “eligible entities”). NTIA allocated the remaining funds based on a formula that considers the number of unserved³ locations identified on the Federal Communications Commission's (FCC's) National Broadband Map⁴ and high-cost locations within each eligible entity (see figure 1). IIJA⁵ defines unserved and high-cost areas as those where (1) at least 80 percent of the locations reachable with broadband are unserved and (2) the costs of building out broadband service exceed the average for similar areas.

¹ Pub. L. No. 117-58 (2021).

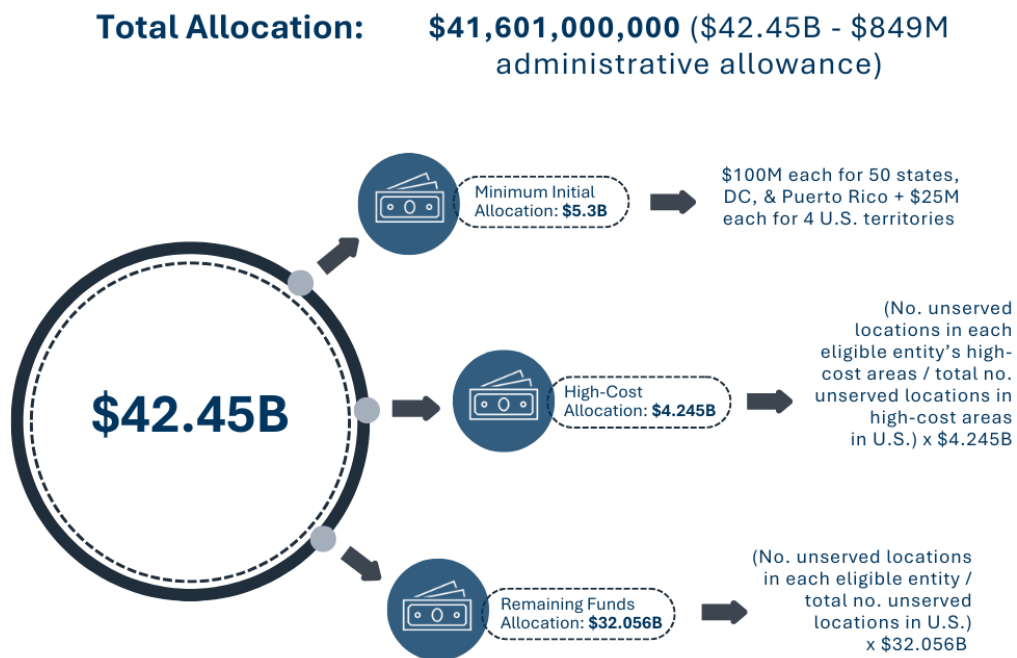
² Pub. L. No. 117-58, § 60102(c)(2).

³ IIJA defines an unserved location as a broadband-serviceable location that has no access to broadband service or lacks access to reliable broadband service. Pub. L. No. 117-58, § 60102(a)(1)(A).

⁴ The FCC's National Broadband Map, updated twice a year, provides location information from internet service providers about service availability in each eligible entity. The May 2023 map reflected broadband availability data as of December 31, 2022, which NTIA used as the basis for the BEAD funding allocations.

⁵ Pub. L. No. 117-58, § 60102(a)(2)(G).

Figure 1. BEAD Allocation Formula



Source: OIG analysis of allocation formula in the BEAD *Notice of Funding Opportunity*

In allocating the amounts to each eligible entity, NTIA defined both “area” and “high-cost” using census geographical units.⁶ NTIA identified census block groups as appropriate areas to measure the cost to build, as they align with typical deployment projects using fiber optic technology.⁷

Our objective was to determine whether NTIA properly allocated federal funds provided to states and territories for the BEAD Program. Appendix 1 details our scope and methodology.

Finding and Recommendation

While NTIA properly allocated federal funds to eligible entities for the BEAD program in accordance with the statute, we found that NTIA did not retain the original Average Revenue Per User (ARPU)⁸ documentation used in the high-cost allocation methodology.

⁶ A hierarchy of areas used for data collection and reporting by the U.S. Census Bureau.

⁷ The FCC describes fiber optic technology as data, sound, and images sent as light signals through transparent glass fibers. See Federal Communications Commission. [Getting Broadband Q&A](#). Accessed August 12, 2025.

⁸ ARPU is the average revenue generated by each user in a given time (e.g., a month).

NTIA also did not fully document the allocation decisions. Consequently, NTIA cannot fully demonstrate the analyses it conducted, substantiate its methodology, or support allocation decisions.

➤ **NTIA Did Not Retain Original ARPU Data Used in High-Cost Allocation Methodology**

NTIA did not retain the original data required to replicate the creation of ARPU poverty flags, which are essential for supporting key decisions during the allocation process. The ARPU calculation, representing the poverty adjustment required in the statute, is one of the adjustments that NTIA applied to determine high-cost areas for calculating the high-cost allocation. NTIA created a presentation to explain its BEAD allocation process to us. In this presentation, NTIA said it customized the cost model to meet the statutory intent of IIJA. NTIA factored the ARPU data into the cost model customization to identify high-cost areas eligible for extra BEAD funding. A low ARPU in areas of high poverty makes it harder for providers to recover their investment, contributing to the area's high cost and the need for subsidies. NTIA provided an export file of the U.S. Department of Transportation (DOT) Historically Disadvantaged Communities (HDC) and Areas of Persistent Poverty data, which were combined with the census information. However, when we attempted to replicate the process to test the accuracy of the calculation and ensure that NTIA allocated funds appropriately, we found that NTIA did not have the original HDC datasets that were used to adjust the ARPU data and determine which locations qualified for this ARPU adjustment.

As outlined by 36 C.F.R. 1222.34, agencies must implement a records maintenance program so that complete records are filed or otherwise identified and preserved and records can be readily found when needed. This is also reinforced by U.S. Department of Commerce Administrative Order 205-1, *Creation and Maintenance of Records*. NTIA did maintain some documentation; however, it did not retain the supporting ARPU data needed to substantiate the high-cost allocation methodology. According to NTIA officials, they used a live data feed that was regularly updated and did not retain the data because they assumed it would always be available. However, the original data is no longer available on DOT's website. The absence of this data prevents us from verifying NTIA's adjustments. While we could replicate the high-cost BEAD allocation, we had to make assumptions using the data NTIA provided in response to our audit. This lack of supporting evidence limits our ability to assess whether funds are distributed fairly and consistently. If the ARPU data is incorrect, some locations may have received disproportionate funding.

Additionally, several key NTIA employees involved in the high-cost allocation process separated from the agency, including the staff who contributed to the analytical efforts. During our audit, we were unable to talk with employees involved in the development of the

high-cost allocation process, the cost model modifications, and NTIA's adjustments to the cost model. Although NTIA eventually provided decision memos reflecting the final decisions and rationale, it did not do so until 10 months after we requested them. Furthermore, the documentation provided does not outline the entire process, such as supporting data or evidence considered during the decision-making process. The departure of key employees, coupled with the missing original ARPU data, highlights the need for NTIA to maintain comprehensive documentation of processes and analyses and retain all supporting data. Without complete and accessible documentation and underlying data, NTIA cannot fully demonstrate the analysis it performed, substantiate its methodology, or support its allocation decisions.

Recommendation

We recommend that NTIA's Associate Administrator for the Office of Internet Connectivity and Growth:

1. Direct NTIA staff to maintain all supporting documentation to substantiate how key decisions are made.

➤ Other Matter of Interest: BEAD Nondeployment Funding Policy

In June 2025, NTIA released the *BEAD Restructuring Policy Notice*, which introduced substantial changes to the structure and implementation of the BEAD program. This notice modified and replaced certain requirements outlined in the *BEAD Notice of Funding Opportunity*. One of the key modifications was that NTIA rescinded its approval of all previously approved nondeployment activities and paused all nondeployment funding pending further review.

During the June 30, 2026, House Energy and Commerce Subcommittee on Communications and Technology oversight hearing, the NTIA Administrator briefed the full bipartisan panel on NTIA's plans for administering the BEAD program's remaining nondeployment funding. The NTIA Administrator explained that since funding is paused for further review, no nondeployment funding had been released to date. She said that updated guidance was expected in summer 2026 and emphasized that any future nondeployment funds should produce measurable outcomes and avoid duplication.

During our audit, NTIA rescinded the original nondeployment guidance. We found that NTIA under the previous administration had not demonstrated how the nondeployment categories directly supported BEAD program objectives. These categories were overly

broad and insufficiently defined, creating risks that future nondeployment funds could be inconsistent with BEAD’s statutory mission.

While NTIA’s ongoing policy work may ultimately clarify or narrow these categories, the absence of final guidance creates uncertainty for eligible entities and limits assurance that any future nondeployment funding will align with statutory program goals. As NTIA continues to revise its policy, it should consider strengthening and more clearly defining cost categories to ensure that all nondeployment funds support BEAD program activities and demonstrate measurable value to the program.

Once NTIA finalizes its revised policy and nondeployment funding begins, we will revisit this area in a future audit to ensure that all awarded nondeployment funds clearly support BEAD program activities and demonstrate measurable value to the program.

Summary of NTIA’s Response and OIG’s Comments

NTIA reviewed a draft version of this report and responded to our finding and recommendation. In its response, NTIA concurred with our recommendation and described actions it has taken or plans to take to address it. NTIA’s complete response is included in this report as appendix 2.

NTIA also provided technical comments on the draft report. We considered these comments and revised the report where appropriate.

We are pleased that NTIA concurs with our recommendation. We look forward to receiving NTIA’s action plan, which will provide details on its corrective actions.



Appendix 1. Scope and Methodology

Our audit objective was to determine whether NTIA properly allocated federal funds provided to states and territories for the BEAD program. We contracted with the Institute for Defense Analyses (IDA), an independent firm, to assess whether NTIA allocated BEAD funds to states and territories using the best available data. We assessed IDA's competence and professional qualifications and oversaw the progress of its work. Further, we used IDA's analysis in reaching the finding and conclusions presented in this report.

To satisfy our objective, we did the following:

- Reviewed applicable laws, regulations, policies and procedures relevant to BEAD oversight, including:
 - Public Law 117-58, *Infrastructure Investment and Jobs Act*, November 15, 2021
 - BEAD *Notice of Funding Opportunity*, May 13, 2022
 - 47 U.S.C. § 902, “Establishment; Assigned Functions”
 - Congressional Research Service, *NTIA Current Roles and Programs* (R47075), April 2022
 - Congressional Research Service, *BEAD Program Issues and Congressional Considerations* (IF12429), June 2023
 - Congressional Research Service, *Considerations for Creating a New Federal Grant Program: In Brief* (R47928.4), February 2024
 - U.S. Government Accountability Office (GAO) *Government Auditing Standards: 2018 Revision Technical Update* (GAO-21-368G), published April 14, 2021
 - 2 C.F.R. Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
 - GAO *Standards for Internal Control in the Federal Government*, September 10, 2014
 - 36 C.F.R. § 1222.34, “How must agencies maintain records?”
 - NTIA *BEAD Allocation Methodology*
 - NTIA *Cost Modeling and Business Case Development Process and Methodology*, December 2023
 - FCC *Broadband Serviceable Location Fabric Methods Manual*, June 2023

- NTIA *BEAD Alternative Broadband Technology Policy Notice*, December 2024
- NTIA *BEAD Restructuring Policy Notice*, June 2025
- Used contractor support to assist with:
 - Obtaining and reviewing BEAD allocation methodology and business rules
 - Replicating the BEAD high-cost and remaining funds allocation and testing the accuracy of the calculation
 - Applying the allocation methodology and business rules to the June 2024 iteration of the broadband map to simulate funding allocations
 - Comparing the original June 2023 allocations to the simulated June 2024 allocations
 - Identifying changes in area classification designations, such as decrease of unserved BEAD-eligible locations and increase of served locations nationwide, since NTIA allocated funding in June 2023
 - Identifying shifts in overall distribution of funding allocations between the original June 2023 allocations and the simulated June 2024 allocations
- Reviewed and assessed how NTIA designated the high-cost areas for the high-cost allocation process
- Interviewed officials from NTIA’s Office of Internet Connectivity and Growth to:
 - Obtain an understanding of the BEAD allocation process and data analysis supporting high-cost methodology
 - Conduct a walk-through of the cost model and analytical tool used to allocate BEAD funds
- Interviewed broadband consulting subject-matter experts to discuss key components of, assumptions on, and modifications to the cost model and obtain access to the model
- Interviewed three broadband offices with approved final proposals (prior to the issuance of the June 2025 *BEAD Restructuring Policy Notice*) regarding their deduplication process

We assessed internal controls that were significant to our objective by testing controls in place for the BEAD allocation process. We identified weaknesses in internal controls related to recordkeeping, as noted in the “Finding and Recommendation” section of this report.

We relied on computer-processed data, including the cost model, Federal Emergency Management Agency National Risk Index datasets,⁹ DOT Areas of Persistent Poverty and HDC datasets,¹⁰ and FCC's Broadband Data Collection files¹¹ to support our finding, conclusions, and recommendation. We assessed the reliability of this data by performing reasonableness and detailed testing on the data provided by NTIA. We found the data to be sufficiently reliable to support our finding and conclusions.

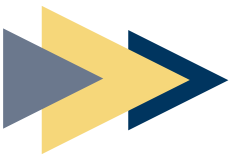
We conducted our audit from September 2024 through February 2026 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424), and Department Organization Order 10-13, as amended October 21, 2020.

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 that provides a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

⁹ The National Risk Index is a dataset illustrating the U.S. communities most at risk for natural hazards. See Federal Emergency Management Agency. [Frequently Asked Questions | National Risk Index](#). Accessed October 20, 2025.

¹⁰ NTIA used this data in areas of persistent poverty and HDCs to calculate high-cost allocation.

¹¹ The Broadband Data Collection System is used to collect broadband availability, subscription, and bulk crowdsourced/challenge data for use in the FCC's broadband mapping program.



Appendix 2. NTIA's Response

NTIA's response to our draft report begins on the next page.



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

DATE: August 28, 2026

TO: Arthur Scott Jr.
Assistant Inspector General for Audit and Evaluation
Office of Inspector General
U.S. Department of Commerce

FROM: Arielle Roth
Assistant Secretary of Commerce for Communications and Information
National Telecommunications and Information Administration

**ARIELLE
ROTH**

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ARIELLE ROTH
Date: 2026.08.28
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SUBJECT: Draft Report: *Audit of NTIA's Allocation of Funds for the BEAD Program*
(Project No. 2024-498)

Thank you for the opportunity to respond to the Department of Commerce Office of Inspector General (OIG) draft audit report referenced above.

The National Telecommunications and Information Administration (NTIA) concurs with the draft recommendation that the Associate Administrator for the Office of Internet Connectivity and Growth should “direct NTIA staff to maintain all supporting documentation to substantiate how key decisions are made.” After OIG releases its final report, NTIA will provide its management decision, which will detail its position on OIG’s final findings and recommendations and any actions that NTIA will take on such recommendations pursuant to 5 U.S.C. § 405.

Thank you for your input and ongoing collaboration with NTIA staff. If you have any questions, please contact Patrick Sullivan, Audit Liaison, at psullivan@ntia.gov.

REPORT

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