



Report In Brief

JUNE 25, 2014

Background

The American Recovery and Reinvestment Act of 2009 provided the National Telecommunications and Information Administration (NTIA) approximately \$4.7 billion to establish the Broadband Technology Opportunities Program (BTOP). BTOP is a competitive grant program that provides funds for deploying broadband infrastructure, enhancing broadband capacity at public computing centers, improving access to broadband services for public safety agencies, and promoting sustainable broadband adoption.

Of the \$4.7 billion, NTIA issued 232 BTOP grant awards representing approximately \$3.9 billion. The bulk of BTOP dollars, totaling \$3.5 billion, went toward 123 infrastructure grants.

Why We Did This Review

Office of Inspector General (OIG) oversight identified BTOP equipment as a concern that needed further review.

In OIG's February 2013 testimony on broadband stimulus before the House Subcommittee on Communications and Technology, the Principal Assistant Inspector General for Audit and Evaluation identified challenges that OIG believed NTIA faced in implementing BTOP. These included: (1) some BTOP projects were at risk of not being completed by September 2013, (2) additional monitoring of equipment may be needed, and (3) there was a continued need for effective oversight of BTOP awards. Also, OIG's January 2013 response to a Congressional request regarding an award to the state of West Virginia had identified that equipment was an area that needed close attention.

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Excess Equipment, Weaknesses in Inventory Management, and Other Issues in BTOP Infrastructure Projects

OIG-14-023-A

WHAT WE FOUND

Our audit identified the following weaknesses:

- *Site visits identified problems with excess equipment and inventory management.* Visits to six grant recipients found excess equipment (even though the project was complete and being closed out), deficient inventory management controls, and a lack of written agreements addressing the federal interest in the equipment.
- *Technical oversight of BTOP grant recipients needs to be strengthened.* As projects are completed and closed out, sufficient steps must be taken by both NTIA and the grant recipients to ensure that the terms and conditions of the grants are properly satisfied.
- *The design of the middle-mile network for one recipient does not follow industry best practice for providing reliable service.* The modified network design for this project is not as resilient as the network design in the grant application that received the award (and thus has greater potential exposure to extended outages).
- *Three of the six recipients we reviewed may not be able to sustain network service beyond the grant period.* These projects, in which approximately \$154 million in federal grant dollars have been invested, were incurring monthly losses because their expenses exceeded revenues.
- *Many of the projects were not completed on time, requiring that they receive extensions.* Of those 69 recipients that requested and received extensions to complete their projects, 15 awards remained active within their extension period as of March 7, 2014. Also, four of the six grant recipients we visited requested an extension of time to complete their projects.

WHAT WE RECOMMEND

We recommend that the Assistant Secretary for Communications and Information direct NTIA personnel to perform the following oversight activities on all BTOP grants:

1. NTIA should ensure that grant recipients have devised effective inventory internal controls.
2. NTIA program officers should review their awards and, where appropriate, ensure that BTOP grant recipients obtain agreements with all CAIs to secure federal interests in all BTOP equipment.
3. NTIA program officers should work with grant recipients to assess equipment acquisitions to ensure that (1) the justification on the use and benefit of the equipment is adequate and (2) the purchases are allowable.
4. NTIA should work with recipients to identify and employ best practices in network design and risk mitigation strategies for networks in which reliability is a concern.
5. NTIA should reassess its staff's ability to provide technical expertise in order to ensure that awards with complex issues are receiving appropriate oversight.