



# Report In Brief

DECEMBER 5, 2014

## Background

Signed into law on February 22, 2012, the Middle Class Tax Relief and Job Creation Act of 2012 established the First Responder Network Authority (FirstNet) as an independent authority within the National Telecommunications and Information Administration (NTIA). The Act authorized and allocated up to \$7 billion in funding to NTIA for the establishment of an interoperable Nationwide Public Safety Broadband Network (NPSBN). FirstNet's mission is to ensure its creation, deployment, and operation using a single, nationwide network design.

FirstNet is governed by a 15-member board consisting of the Attorney General of the United States, the Secretary of Homeland Security, the Director of the Office of Management and Budget, and 12 nonpermanent members from local, state and federal government, public safety, and the wireless industry. For roughly the first year and a half, the Board functioned as both board and management, eventually assembling a management team and transferring responsibilities to it. In addition, NTIA, the Commerce Office of General Counsel (OGC), the Census Bureau, and the National Institute of Standards and Technology (NIST) have supported FirstNet in its start-up efforts.

## Why We Did This Review

Our overall objective was to review ethics- and procurement-related matters in response to concerns raised by a FirstNet Board member in April 2013. Specifically, we sought to determine whether the Department (a) had adequate processes in place to ensure that FirstNet Board members properly filed financial disclosures and identified potential conflicts of interest, and (b) used the appropriate contract type, fairly awarded and appropriately administered FirstNet contracts, ensured services purchased under those contracts met industry standards, and were consistent with contract requirements.

## FIRST RESPONDER NETWORK AUTHORITY

### FirstNet Must Strengthen Management of Financial Disclosures and Monitoring of Contracts

OIG-15-013-A

#### WHAT WE FOUND

**The Department's confidential and public disclosure monitoring procedures were inadequate.** OGC was unable to provide a record of all FirstNet confidential and public financial disclosure files, including due dates, as required by federal regulations. Nor had OGC created a schedule of Board members' start dates of service, due dates of disclosures, or a centralized point of record showing the training and counselling provided.

**Board members did not file timely public financial disclosure reports.** One Board member initially did not file a required public disclosure—and, when eventually doing so, did not disclose an interest in a conflicting company. Another Board member submitted the required public disclosure form 5 months late. Two others submitted inaccurate time-and-attendance records, in one case to avoid filing the required public financial disclosure. Finally, all four of these Board members continued to engage in decision making, even though they were not in compliance with the financial disclosure requirements.

**The FirstNet Board operational procedures for monitoring potential conflicts of interest need improvement.** The Department does not appear to have anticipated that Board members would take on duties sufficient to trigger the more detailed of the required financial reporting requirements. In addition, six months after the Board began regular meetings, senior NTIA and OGC officials were still debating how best to routinely monitor potential conflicts of interest.

**FirstNet contracting practices lacked transparent award competition, sufficient oversight of hiring, adequate monitoring, and procedures to prevent payment of erroneous costs.** Even though one contract was properly awarded and administered, two contracts were not, as a result of (a) one contract's sole-source procurement exceptions for other than full and open competition not appearing to meet FAR standards of support; (b) undue influence from a FirstNet official, which interfered with the contractor's ability to independently recruit and hire consultants; (c) adequate surveillance not being conducted over two contracts, resulting in approximately \$11 million in unsupported costs to the government; and (d) the contracting officer's representative approving duplicate and unsupported charges for one contract, as well as rates higher than that contract allowed.

In other matters, concerns remain with possible lack of competition and conflicts of interest while awarding FirstNet task orders under the Department's established blanket purchase agreements. We acknowledge that, subsequent to discussions with OIG, FirstNet took steps to address concerns over Board members' potential conflicts of interest and ethics issues.

#### WHAT WE RECOMMEND

We offer recommendations to

1. the Secretary, regarding financial disclosure noncompliance issues;
2. the General Counsel, regarding OGC internal controls pertaining to financial disclosure and conflict of interest at FirstNet;
3. the Chair of FirstNet, regarding the submission of initial disclosure and final public filer termination reports, as well as the routine updating of lists of entities presenting potential conflicts of interest; and
4. the Department's Senior Procurement Official, regarding contracting procedures, quality assurance, and administration.