

FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices

REDACTED FINAL REPORT NO. OIG-22-029-A

AUGUST 25, 2022

CONTROLLED UNCLASSIFIED INFORMATION



U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation



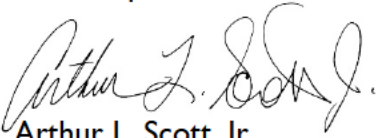
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August 25, 2022

MEMORANDUM FOR: Jeremy Pelter
Acting Chief Financial Officer and Assistant Secretary
for Administration
U.S. Department of Commerce

Alan Davidson
Assistant Secretary of Commerce for Communications
and Information and NTIA Administrator
National Telecommunications and Information Administration

Lisa Casias
Acting Executive Director
First Responder Network Authority


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

FROM:

SUBJECT: *FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices*
Final Report No. OIG-22-029-A

Attached is our final report on our audit of First Responder Network Authority's (FirstNet Authority's) process for developing Independent Government Cost Estimates (IGCEs) for its first two reinvestment task orders. This report is the first of a series of reports covering FirstNet Authority's reinvestment process. Our audit objective was to determine whether FirstNet Authority's process for reinvesting fee payments is effective and consistent with established practices, procedures, and regulations. This final report focuses solely on FirstNet Authority's process for developing IGCEs for the first two reinvestment task orders totaling up to \$ ^{CUI} million for

- an increase of deployables capabilities (Task Order 6), with an award value of \$ ^{CUI} million and options to extend up to \$ ^{CUI} million, and
- a core upgrade to support the initial 5G upgrade (Task Order 7), with an award value of \$ ^{CUI} million and options to extend up to \$ ^{CUI} million.

We found that FirstNet Authority did not follow the *GAO Cost Estimating and Assessment Guide* when preparing and documenting IGCEs used to evaluate AT&T's proposals related to the deployable and 5G task orders. Specifically, we found that FirstNet Authority did not

- sufficiently document IGCEs;
- ensure that IGCEs reflected updates based on changed conditions;
- justify fair and reasonable pricing for additional requirements proposed by AT&T that were not included in the IGCEs;
- address legal review concerns; and
- develop a cost estimating plan describing the steps for preparing an IGCE.

Further, we found that FirstNet Authority accepted, without providing sufficient justification, AT&T's price proposals for both task orders that exceeded the IGCEs by a total of \$ [REDACTED] million—more than 60 percent.

On June 15, 2022, we received the U.S Department of Commerce's (the Department's) and National Telecommunications and Information Administration's (NTIA's) response to our draft report. In response to our draft report, the Department and NTIA concurred with all recommendations and described actions they intend to take to address them. The Department and FirstNet Authority also provided technical comments. We reviewed the technical comments and, where appropriate, made changes to the report. The Department's formal response also included a comment letter from FirstNet Authority. The Department's and NTIA's formal response and FirstNet Authority's comment letter are included within the final report as appendix C.

Pursuant to Department Administrative Order 213-5, please submit to us an action plan that addresses the recommendations in this report within 60 calendar days. This final report will be posted on OIG's website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M). At the request of FirstNet Authority, redactions have been placed in this report and memorandum to cover sensitive information about AT&T's proprietary values protected by the Trade Secrets Act, 18 U.S.C. § 1905.

We appreciate the cooperation and courtesies extended to us by your staff during our audit. If you have any questions or concerns about this report, please contact me at (202) 577-9547 or Analee Striner-Brown, Director for Telecommunications, at (202) 893-8759.

Attachment

cc: John Wobbleton, Senior Director, Policy and Internal Control, FirstNet Authority
Kim Farington, Chief Financial and Administrative Officer, FirstNet Authority
Alice Suh, Senior Analyst, FirstNet Authority
MaryAnn Mausser, Audit Liaison, Office of the Secretary
Josephine Arnold, Senior Attorney-Advisor, NTIA
Andrew Coley, Attorney-Advisor, NTIA
Mark B. Daley, Deputy for Acquisition Program Management, Office of the Secretary
Rehana Mwalimu, Risk Management Officer and Primary Alternate Department GAO/OIG Liaison, Office of the Secretary



Report in Brief

August 25, 2022

Background

The Middle Class Tax Relief and Job Creation Act of 2012 (the Act) established the First Responder Network Authority (FirstNet Authority) as an independent authority within the National Telecommunications and Information Administration (NTIA) to ensure the building, deployment, and operation of the Nationwide Public Safety Broadband Network (NPSBN) dedicated to first responders. On March 28, 2017, FirstNet Authority entered into a 25-year contract with AT&T for the construction and operation of the NPSBN. FirstNet Authority's arrangement with AT&T involves (a) the initial obligation of up to \$6.5 billion in funds to AT&T to deploy, construct, and operate the NPSBN; (b) AT&T's use of dedicated broadband spectrum; and (c) annual payments from AT&T to FirstNet Authority over the life of the contract for use of the dedicated spectrum. Per the Act, FirstNet Authority must reinvest a portion of the annual payments into the network to maintain and improve the NPSBN.

In June 2020, the FirstNet Authority Board approved its first two reinvestment opportunities. They include expanded deployable capabilities and services (deployables) and a generational upgrade (5G upgrade) for the initial core. FirstNet Authority personnel developed an Independent Government Cost Estimate (IGCE) as its price analysis technique for each investment. An IGCE is an important step in the acquisition process, as it helps decision makers evaluate resource requirements and other important decision points.

Why We Did This Review

Our audit objective was to determine whether FirstNet Authority's process for reinvesting fee payments is effective and consistent with established practices, procedures, and regulations.

FIRST RESPONDER NETWORK AUTHORITY

FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices

OIG-22-029-A

WHAT WE FOUND

We found that FirstNet Authority did not follow the *GAO Cost Estimating and Assessment Guide* when preparing and documenting IGCEs used to evaluate AT&T's proposals related to the deployable and 5G task orders. Specifically, we found the following:

- I. FirstNet Authority did not sufficiently document IGCEs.
- II. FirstNet Authority did not ensure that IGCEs reflected updates based on changed conditions.
- III. FirstNet Authority did not justify fair and reasonable pricing for additional requirements proposed by AT&T that were not included in the IGCEs.
- IV. FirstNet Authority did not address legal review concerns.
- V. FirstNet Authority did not develop a cost estimating plan describing the steps for preparing an IGCE.

WHAT WE RECOMMEND

We recommend that the Chief Financial Officer and Assistant Secretary for Administration do the following:

1. Develop a comprehensive cost estimating guide that is aligned with the *GAO Cost Estimating and Assessment Guide* and details how to prepare IGCEs.
2. Direct FirstNet Authority to follow the U.S. Department of Commerce's (the Department's) cost estimating guidance for future reinvestment task orders issued under contract FN30117CQ0008.

We recommend that the Assistant Secretary of Commerce for Communications and Information and NTIA Administrator direct FirstNet Authority's Chief Executive Officer to do the following:

3. Follow the Department's cost estimating guide for developing cost estimates that will be issued resulting from actions taken to address recommendation I.
4. Develop clear and detailed procedures on how to develop IGCEs, including detailing the source and methodology information needed for a well-documented IGCE.
5. Train cost estimating team personnel, program officials, and contracting officials on their responsibilities for developing, reviewing, and approving IGCEs and evaluating contracting cost proposals.
6. Establish a cost estimating team with the appropriate expertise and define qualifications necessary for personnel on the cost estimating team responsible for developing the IGCE.
7. Require that IGCEs include the name and signature of the preparer, the date prepared, and the signature of the approving official.

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Cover: Herbert C. Hoover Building main entrance at 14th Street Northwest in Washington, DC. Completed in 1932, the building is named after the former Secretary of Commerce and 31st President of the United States.

Background

The Middle Class Tax Relief and Job Creation Act of 2012 (the Act) established the First Responder Network Authority (FirstNet Authority) as an independent authority within the National Telecommunications and Information Administration (NTIA) to ensure the building, deployment, and operation of the Nationwide Public Safety Broadband Network (NPSBN) dedicated to first responders.

On March 28, 2017, FirstNet Authority¹ entered into a 25-year indefinite-delivery, indefinite-quantity contract with AT&T for the construction and operation of the NPSBN. FirstNet Authority's arrangement with AT&T involves (a) the initial obligation of up to \$6.5 billion in funds to AT&T to deploy, construct, and operate the NPSBN; (b) AT&T's use of dedicated broadband spectrum; and (c) annual payments² from AT&T to FirstNet Authority over the life of the contract for use of the dedicated spectrum.

Per the Act, FirstNet Authority must reinvest a portion of the annual payments into the network to maintain and improve the NPSBN.³ Of the \$18 billion to be received from AT&T over 25 years, about \$15 billion is expected to be used for reinvestments. FirstNet Authority received its first payment in April 2018 and, to date, has received five payments⁴ totaling \$600 million. In June 2020, the FirstNet Authority Board approved its first two reinvestment opportunities. They include

- expanded deployable capabilities and services (deployables⁵) and
- a generational upgrade (5G upgrade) for the initial core.⁶

The deployables investment task order was to expand and optimize the existing deployable fleet. Task Order 6 added the services of 15 FirstNet Authority dedicated deployables, to include Satellite Cell on Light Trucks (SatCOLTs; see figure 1), command and coverage vans,⁷

¹ The U.S. Department of the Interior signed the contract on behalf of the U.S. Department of Commerce and FirstNet Authority. The management of the contract was transferred from the U.S. Department of the Interior to FirstNet Authority in December 2017.

² Amounts received vary based on the NPSBN contract.

³ *Middle Class Tax Relief and Job Creation Act of 2012*, Pub. L. No. 112-96 § 6208(d).

⁴ Per the NPSBN contract, with the exception of the first payment, the payments are due 2 weeks before the start of the subsequent fiscal year.

⁵ Deployables are vehicles that function like mobile cell phone towers and can be deployed during public safety emergencies.

⁶ The FirstNet Core “acts as the nervous system of the network, separates all public safety traffic from non-public safety user traffic, and enables differentiated services for network users.” See First Responder Network Authority, February 2021. *Rising to the Challenge: Fiscal Year 2020 Annual Report to Congress*. Reston, VA: FirstNet Authority, p. 21. Available online at https://firstnet.gov/sites/default/files/FY2020_annual-report-FirstNetAuthority.pdf (accessed March 21, 2021).

⁷ Command and communications vehicles provide connectivity via Long-Term Evolution and/or Wi-Fi and provide space for two communications personnel with multiple monitors, televisions, and charging stations. See FirstNet Authority. *FirstNet Deployable Fleet* [online]. <https://www.firstnet.gov/network/TT/deployables> (accessed February 8, 2022).

and SatRunners.⁸ The task order specified that deployables will be available to respond to catastrophic incidents, noncatastrophic incidents, and preplanned events.

Figure I. FirstNet Authority Deployable



Source: FirstNet Authority Fiscal Year 2020 Annual Report to Congress

The 5G upgrade investment task order was for Phase I, of potentially 3 phases, which added 5G option 3X⁹ capability to the FirstNet Core. Task Order 7 allows public safety subscribers, who have 5G-capable devices and an appropriate rate plan, to access the throughput of 5G. The 5G Phase I included (1) a FirstNet Authority dedicated Option 3X Core and (2) access to AT&T's 5G millimeter wave and mid-band spectrum where deployed. In Phase I, quality of service, priority and preemption, and all mission-critical services remain on the Long-Term Evolution (LTE) Core.

FirstNet Authority personnel developed an Independent Government Cost Estimate (IGCE) as its price analysis technique for each investment. An IGCE is an important step in the acquisition process, as it helps decision makers evaluate resource requirements and other important decision points. The U.S. Government Accountability Office (GAO) developed the *GAO Cost Estimating and Assessment Guide (GAO Cost Guide)* to “establish a consistent methodology that is based on best practices and that can be used across the federal government for developing, managing, and evaluating capital program cost estimates.”¹⁰ The *GAO Cost Guide* identifies cost estimating practices that, if followed, should result in reliable and valid cost estimates for making informed decisions. According to the *GAO Cost Guide*, the IGCE “...documents the government’s assessment of the program’s most probable cost and ensures that enough funds

⁸ Units that can be towed behind a sport utility vehicle, deployed by one person, and run for up to 60 hours between refueling.

⁹ According to Task Order 7, Option 3X is the “4G Core upgraded to support both 4G and 5G access; control plane functions on 4G, user plane on both 4G and 5G.”

¹⁰ U.S. Government Accountability Office, March 2009. *GAO Cost Estimating and Assessment Guide*, GAO-09-3SP. Washington, DC: GAO, p. i. Available online at <https://www.gao.gov/assets/gao-09-3sp.pdf> (accessed September 22, 2020).

are available to execute it,”¹¹ and “. . . is also helpful in assessing the feasibility of individual tasks to determine if the associated costs are reasonable.”¹² In addition, GAO states that the “IGCE is conducted to check the reasonableness of a contractor’s cost proposal and to make sure that the offered prices are within the budget range for a particular program.”¹³

The purpose of the *GAO Cost Guide* is to create guidance for generating reliable cost estimates in compliance with Office of Management and Budget requirements and help federal agencies establish processes, procedures, and practices for ensuring credible cost estimates.¹⁴ The *GAO Cost Guide* provides guiding principles for government managers and auditors to use as they assess the credibility of a program’s cost estimate for budget and decision-making purposes. We used the *GAO Cost Guide* to evaluate the IGCEs FirstNet Authority prepared for the two reinvestment task orders. The *GAO Cost Guide* describes generally accepted best practices for ensuring credible cost estimates and notes the importance of documenting cost estimates. As GAO states: “The ability to generate reliable cost estimates is a critical function Without this ability, agencies are at risk of experiencing cost overruns, missed deadlines, and performance shortfalls”¹⁵

¹¹ *Ibid*, p. 36.

¹² *Ibid*.

¹³ *Ibid*.

¹⁴ *Ibid*, pp. i and I.

¹⁵ *Ibid*, p. i.

Objective, Findings, and Recommendations

The objective of our audit was to determine whether FirstNet Authority's process for reinvesting fee payments is effective and consistent with established practices, procedures, and regulations. This draft report focuses solely on FirstNet Authority's process for developing IGCEs to negotiate fair and reasonable prices for its first two reinvestment task orders totaling up to \$ [REDACTED] million. The two task orders were for

- an increase of deployable capabilities (Task Order 6), with an award value of \$ [REDACTED] million and options to extend up to \$ [REDACTED] million, and
- a core upgrade to support the initial 5G upgrade (Task Order 7), with an award value of \$ [REDACTED] million and options to extend up to \$ [REDACTED] million.

The FirstNet Authority Board has approved investment funds totaling \$218 million for these first two reinvestments. The \$218 million amount is less than the total expected contract costs of the two reinvestment task orders. FirstNet Authority requested that our office not disclose the current total value for the task orders. FirstNet Authority views the values as a trade secret of AT&T that has not been publicly disclosed.

We used guidance from the *GAO Cost Guide* as a benchmark for identifying best practices that are beneficial to ensuring a reliable and effective IGCE. For instance, the *GAO Cost Guide* states that all aspects of cost estimating should be well documented and IGCEs should be updated when changes occur.¹⁶ Appendix A provides a more detailed description of our scope and methodology.

We found that FirstNet Authority did not follow the *GAO Cost Guide* when preparing and documenting IGCEs used to evaluate AT&T's proposals related to the deployable and 5G task orders. Specifically, we found that FirstNet Authority did not

- sufficiently document IGCEs;
- ensure that IGCEs reflected updates based on changed conditions;
- justify fair and reasonable pricing for additional requirements proposed by AT&T that were not included in the IGCEs;
- address legal review concerns; and
- develop a cost estimating plan describing the steps for preparing an IGCE.

Despite these weaknesses, FirstNet Authority still relied upon these unsupported IGCEs when determining whether the price proposals for the two reinvestment projects were fair and reasonable.

¹⁶ *Ibid*, p. 182.

Further, we found that FirstNet Authority accepted, without providing sufficient justification, AT&T's price proposals for both task orders that exceeded the IGCEs by a total of \$ CUI million—more than 60 percent. We are recommending that FirstNet Authority take a number of actions to better prepare IGCEs in the future to ensure costs are reasonable and fair.

I. FirstNet Authority Did Not Sufficiently Document IGCEs

The *GAO Cost Guide* and federal internal control standards¹⁷ emphasize the need for supporting documentation. The *GAO Cost Guide* states that well-documented cost estimates describe the data sources used, underlying assumptions, and the estimating methodologies used to derive costs. According to the *GAO Cost Guide*, well-documented cost estimates are considered a best practice for several reasons. First, thorough documentation is essential for validating a cost estimate. Second, documenting the estimate in detail, step by step, provides enough information so that someone unfamiliar with the estimate could easily recreate or update it. Finally, good documentation helps with analyzing changes in program costs and contributes to the collection of cost and technical data that can be used to support future cost estimates.¹⁸ However, we found that for both reinvestment projects, the IGCEs lacked documentation of the detailed methodology, calculations, and sources used to develop the estimates. As a result, FirstNet Authority's inability to adequately complete IGCEs significantly diminished its ability to assess whether costs totaling \$ CUI million, associated with both reinvestment task orders, were valid and reasonable.

A. FirstNet Authority did not sufficiently document rationale, assumptions, and changes for the 5G reinvestment task order

Personnel in the Office of the Chief Financial Officer¹⁹ (OCFO) stated that they used a "Tops-Down [sic]" approach, using percentages of historical costs from a prior task order and subject-matter experts from FirstNet Authority's Chief Technology Office and Network Management and Operations²⁰ groups to develop the IGCE for the 5G upgrade. However, we found several weaknesses that indicated the cost estimate was not realistic to support the task order:

- First, we found that the OCFO used the dollar value of Task Order 3,²¹ totaling \$ CUI million, as its baseline to develop the IGCE. However, Task Order 3 did not break out the individual cost elements for services and components used to derive the dollar value of the contract. The lack of detailed cost elements for

¹⁷ GAO, September 10, 2014. *Standards for Internal Control in the Federal Government*, GAO-14-704G. Washington, DC: GAO, p. 19. Available online at <https://www.gao.gov/assets/gao-14-704g.pdf> (accessed March 7, 2022).

¹⁸ *GAO Cost Guide*, p. 191.

¹⁹ The office name has changed during the course of the audit and the current name is the Office of the Chief Financial and Administrative Officer. This office was responsible for preparing the cost estimates.

²⁰ The office name has changed during the course of the audit and the current name is the Office of the Chief Network and Technology Officer.

²¹ Task Order 3 was to deploy, operate, and maintain the nationwide core. The core, per the NPSBN contract, is "Long-Term Evolution (LTE) and is a standard for wireless communication of high-speed data for mobile phones and data terminals." The LTE is commonly marked as 4G LTE.

Task Order 3 makes it impractical to use as a baseline because the task order does not provide the necessary cost information.

- Second, we found that the OCFO used cost categories from Task Order 3 and then assigned a percentage to each cost category and core components under the two areas: (1) Product and Architecture and (2) Business Management. The OCFO then added an impact percentage to certain cost categories. (See appendix B for an illustration of the applied percentages.) However, the OCFO was unable to provide supporting documentation as to why it used those cost categories from Task Order 3 or what source data it used. Also, the OCFO could not provide documentation or explain how it derived the percentage amounts used for each element in calculating the individual cost categories.
- Third, we found that the OCFO attributed costs to an “Other Activities” cost category (see appendix B for an illustration). However, the OCFO could not explain why or how this category was applicable or provide documentation to support its decision to include costs for this cost category. Furthermore, the OCFO stated, in interviews and the narrative, that it used subject-matter experts in developing the methodologies and calculations of the cost estimate; however, this information was inconsistent with the experts’ characterization of their own involvement in the cost estimate process. We interviewed these experts to determine their involvement in the development of the cost estimate. Contrary to the OCFO, these experts stated they did not provide any analyses or input on any cost elements of the IGCE or the components affected by the 5G upgrade.

B. FirstNet Authority did not maintain sufficient documentation for the deployable reinvestment task order

The OCFO used questionnaires to conduct market research to form the basis for preparing the IGCE. According to FirstNet Authority, the market research focused on (1) obtaining specific information about deployable pricing, as well as identifying key industry players within each level of the supply chain for deployables, and (2) vetting with industry experts who provided quantitative findings on the three components of the total unit cost considered by the IGCE: initial costs, ongoing costs, and maintenance costs. However, the market research documentation and IGCE narrative FirstNet Authority provided lacked sufficient detail for us to verify that the cost estimates were appropriately calculated or evaluate the methodology for how these experts determined the total cost per category. For example, costs obtained through interviews could not be traced back to any supporting documentation for verification of either the categories or prices. Additionally, through discussion with FirstNet Authority, we found that a support contractor, a public accounting firm, provided the market research information. However, the information the firm provided was limited; reported on a brochure-style document with the FirstNet Authority logo; and did not articulate detailed, specific cost data or source data utilized.

In addition, we found that FirstNet Authority accepted AT&T's proposal with a unit price for SatCOLTs that was more than twice the unit price identified in the IGCE. FirstNet Authority accepted this increased cost proposal without conducting and documenting an analysis; only a limited evaluation with a one-page value bridge analysis slide²² was provided to support the additional amounts. There was no support for the information within the slide, and FirstNet Authority only indicated that the cost was within range, without defining the range or how it was deemed appropriate. Further, considering FirstNet Authority previously procured deployable services under a prior task order, it should have known and utilized historical costs and requirements. Such estimates should have signaled a red flag when AT&T submitted a proposal with a significant cost variance.

Further, the methodology used by the OCFO to develop the cost estimate was questionable. For instance, FirstNet Authority had previously procured the services of 72 deployables in Task Order 4 issued under the NPSBN contract.²³ However, FirstNet Authority did not use the historical cost data available from Task Order 4. As mentioned above, the OCFO solely relied on industry interviews as market research. The *GAO Cost Guide* states that “[c]redible cost estimates are rooted in historical data.”²⁴ Comparison to prior contracts is a commonly used cost estimating technique for the basis of a price reasonableness determination.

II. FirstNet Authority Did Not Ensure that IGCEs Reflected Updates Based on Changed Conditions

The *GAO Cost Guide* states that estimates should be updated to reflect changes, especially significant changes, since they can impact program decisions. However, the OCFO did not update either IGCE when significant changes occurred to the corresponding task order/work assignment.

- For the 5G task order, we identified that the AT&T proposal included additional requirements for encryption, incremental headcount, and cloud platform refresh that were not reflected in the IGCE. These additional requirements increased the cost of the task order by \$^{CUI} million. FirstNet Authority officials stated that they accepted the \$^{CUI} million cost increase without updating the IGCE with any analysis because they were aware in advance of AT&T's pricing for these additional requirements. However, accepting AT&T's input without any analysis compromises the IGCE as an independent estimate since the IGCE forms the basis for the government's negotiating position relative to AT&T's cost proposal. Relying solely on AT&T's pricing may result in FirstNet Authority paying excessive prices.

²² The value bridge analysis slide was the only document provided in addition to the price evaluation document.

²³ Task Order 4 was to build, operate, and maintain the FirstNet Authority-deployed Radio Access Network. The task order also included a requirement for 72 deployables dedicated to FirstNet Authority and public safety.

²⁴ *GAO Cost Guide*, p. 89.

- For the deployable task order, we identified that AT&T included additional full-time equivalent employee²⁵ requirements in its proposal that were not included in the IGCE. This additional requirement increased the cost of the task order by \$^{CUI} million. Although FirstNet Authority did not update the IGCE, it subsequently prepared a one-page value bridge analysis slide²⁶ in an attempt to show that the additional costs were within an acceptable range and accepted the proposal. However, the bridge analysis did not define the range and there was no documentation supporting how the amounts were within the acceptable range and deemed appropriate.

III. FirstNet Authority Did Not Justify Fair and Reasonable Pricing for Additional Requirements Proposed by AT&T That Were Not Included in the IGCEs

Prior to the development of the IGCEs, FirstNet Authority was provided cost data by AT&T for task orders 6 and 7, giving them awareness of AT&T's estimated pricing. This calls into question the independence of the IGCEs because this information should not have been presented to FirstNet Authority as it gives the appearance of undue influence over the cost estimating process. This raises a concern because the IGCEs should be developed without any assistance or input from AT&T since the IGCEs were the basis for the government's negotiating position relative to AT&T's cost proposal.

Additionally, when there was a difference between the IGCEs and AT&T's proposed price, FirstNet Authority's Contracting Officer (CO) accepted AT&T's price without additional analysis or justification. FirstNet Authority's CO should have compared the information contained in the proposal to those estimates within the IGCEs. Such an analysis would have allowed staff to determine whether proposals overstated or understated work and whether prices were too high or low, as well as determine fair and reasonable pricing. However, the additional requirements were not in the IGCEs. Table I shows the difference between the IGCE and AT&T's proposed price for both task orders.

²⁵ The full-time equivalent employee count included six additional operational employees to support the increase in deployables.

²⁶ The value bridge analysis slide was the only document provided in addition to the price evaluation document.

Table I. Examples of FirstNet Authority’s Reliance on AT&T Estimates

Task Order Number	IGCE	AT&T Proposal ^a	Accepted Amount ^b	Difference Between IGCE and AT&T Amount	Percentage Variance Between IGCE and AT&T Amount
Task Order 6 (deployables)	\$ CUI M	\$ CUI M	\$ CUI M	\$ CUI M	99%
Task Order 7 (5G upgrade)	\$ CUI M	\$ CUI M	\$ CUI M	\$ CUI M	60%

Source: Office of Inspector General (OIG) analysis of FirstNet Authority data

^a Amounts listed are final proposal amounts that were after negotiations.

^b Accepted amount reflects task order ceiling amount.

FirstNet Authority’s CO accepted AT&T’s proposal without defining an acceptable range for the variance or conducting sufficient analysis to justify either the additional requirements or additional costs proposed by AT&T. By not analyzing why there was a difference in the price, or documenting the analysis of reasons for the difference, FirstNet Authority diminished the value of the IGCE in determining the reasonableness of the final price.

IV. FirstNet Authority Did Not Address Legal Review Concerns

The CO accepted and utilized both unsupported IGCEs, even though the Contract Law Division’s (CLD’s) review of the price evaluations for both task orders expressed concerns about the adequacy of the justification for price reasonableness. Specifically, for both task orders, the legal review noted that [REDACTED]

[REDACTED] Further, for the 5G task order, the legal review noted that [REDACTED]

[REDACTED] Despite CLD’s concerns, the CO continued with the process to award both task orders.

V. FirstNet Authority Did Not Develop a Cost Estimating Plan Describing the Steps for Preparing an IGCE

The GAO *Cost Guide* identifies certain best practices that should be followed to develop accurate and credible cost estimates. These best practices represent an overall process of established, repeatable methods that result in high-quality cost estimates that are comprehensive and accurate and that can be easily and clearly traced, replicated, and updated.²⁷ One best practice is developing a cost estimating plan that defines a structured process prior to starting the IGCE. The plan identifies the cost estimating team and develops its master schedule, determines who will do the independent cost estimate, outlines the cost estimating approach, and develops the estimate timeline.²⁸ The OCFO individual responsible for developing the estimates acknowledged that they did not develop

²⁷ GAO *Cost Guide*, p. 8.

²⁸ *Ibid*, p. 9.

a cost estimating plan before developing the cost estimates. However, the OCFO did develop narratives supporting the IGCEs. These narratives included minimal information on the background, methodology, assumptions, and approach used for the IGCEs. However, the narrative documents still did not meet the *GAO Cost Guide's* best practice guidelines for cost estimating plans or include specific details of the process utilized. For example, the narratives did not determine the estimating team, establish an estimating timeline, or sufficiently detail the approach used for both estimates. We also found that the CO and Contracting Officer's Representative reviewed the initial iteration of the 5G narrative but did not provide any comments on the quality of the IGCE or perform any other documented reviews afterward. Further, the narratives, as well as the IGCEs, were not dated and did not have a signature by any FirstNet Authority official approving them as formal or official records for decision-making purposes.²⁹

Other Contributing Factors for Inadequate IGCEs

We identified the following factors that also contributed to the lack of reliable IGCEs:

- A lack of efficient quality control procedures contributed to the unreliability of both IGCEs. FirstNet Authority's Chief Financial Officer stated she reviewed the IGCEs; however, the documentation provided did not have any comments regarding the quality of either IGCE. There were no other reviews documented within FirstNet Authority to assess the reasonableness or quality of the IGCEs. Neither the U.S. Department of Commerce (the Department) nor FirstNet Authority has requirements for management review and approval of IGCEs. Furthermore, although the Department issued its *Scalable Acquisition Project Management Guidebook* (the *Guidebook*)³⁰ in response to a GAO report, it did not sufficiently address IGCEs other than referring users to the *GAO Cost Guide* best practices for more details and listing a vague bulleted list of the steps in the process. The *Guidebook* does not provide detailed steps on how to develop an IGCE. Therefore, the Department and FirstNet Authority need to develop supplemental guidance for developing, supporting, and documenting IGCEs.
- The lack of reliable IGCEs was caused, in part, by insufficient planning at the outset of the process. The *GAO Cost Guide* states that program office cost estimates are normally prepared by a multidisciplinary team whose members have a variety of functional skills, such as financial management, engineering, acquisition, and logistics. However, FirstNet Authority did not establish such a team for either IGCE. Instead, the IGCEs for both reinvestments were prepared primarily by one individual from the OCFO. This individual was not a cost analyst or professional cost estimator, and did not possess the necessary skills, training, and experience to develop a high-quality cost estimate. When asked about what procedures or best practices were used to develop the IGCEs, the individual stated that he used the *FirstNet Acquisition Manual* and the *Commerce Acquisition*

²⁹ Transaction control activity for operational processes includes authorization and approvals. *GAO Standards for Internal Control*, p. 50.

³⁰ U.S. Department of Commerce, August 31, 2015. *DOC Scalable Acquisition Project Management Guidebook*, version 1.2. Washington, DC: DOC, p. 1.

Manual. However, these manuals do not provide specific details on how to generate an IGCE.

Conclusion

FirstNet Authority plans to reinvest an estimated \$15 billion or more during the next two decades to fund the evolution of the NPSBN being built and maintained by AT&T. Given the amount of the funds to be reinvested into the network, it is critical that reinvestments are based on reliable estimates of program costs. The IGCEs were the basis on which contracting officials evaluated AT&T's proposals. Without proper analysis, the government is at risk of spending more than necessary. A quality IGCE includes documentation that describes the cost estimating process, data sources, assumptions, and methodologies, and reflects updates based on changed conditions so that a cost analyst unfamiliar with the program could understand what was done and replicate it. However, FirstNet Authority did not sufficiently document cost information in its IGCEs or update them when changes occurred. Additionally, FirstNet Authority did not justify fair and reasonable pricing for additional requirements proposed by AT&T that were not included in the IGCE. As a result, FirstNet Authority did not have the necessary documentation to show that the costs of \$ [REDACTED] million for the task orders were both fair and reasonable.

Recommendations

We recommend that the Chief Financial Officer and Assistant Secretary for Administration do the following:

1. Develop a comprehensive cost estimating guide that is aligned with the *GAO Cost Guide* and details how to prepare IGCEs.
2. Direct FirstNet Authority to follow the Department's cost estimating guidance for future reinvestment task orders issued under contract FN30117CQ0008.

We recommend that the Assistant Secretary of Commerce for Communications and Information and NTIA Administrator direct FirstNet Authority's Chief Executive Officer to do the following:

3. Follow the Department's cost estimating guide for developing cost estimates that will be issued resulting from actions taken to address recommendation 1.
4. Develop clear and detailed procedures on how to develop IGCEs, including detailing the source and methodology information needed for a well-documented IGCE.
5. Train cost estimating team personnel, program officials, and contracting officials on their responsibilities for developing, reviewing, and approving IGCEs and evaluating contracting cost proposals.
6. Establish a cost estimating team with the appropriate expertise and define qualifications necessary for personnel on the cost estimating team responsible for developing the IGCE.
7. Require that IGCEs include the name and signature of the preparer, the date prepared, and the signature of the approving official.

Summary of Agency Response and OIG Comments

On June 15, 2022, we received the Department's and NTIA's response to our draft report. In response to our draft report, the Department and NTIA concurred with all recommendations and described actions they intend to take to address them. The Department and FirstNet Authority also suggested minor changes for technical accuracy, which we reviewed and incorporated into the final report where appropriate. At the request of FirstNet Authority, redactions have been placed in this report and memorandum to cover sensitive information about AT&T's trade secrets. The Department's and NTIA's formal response and FirstNet Authority's comment letter are included within this final report as appendix C.

The Department's formal response also included a comment letter from FirstNet Authority. To provide clarity and perspective, we are commenting on FirstNet Authority's response to our audit report. FirstNet Authority provided general comments regarding its concerns about our interpretation of its public-private partnership relationship, the process followed for the development and approval of IGCEs, supporting the price variance, and the price reasonableness of the task orders.

I. Public-Private Partnership

FirstNet Authority Response. “The FirstNet Authority is concerned that the OIG report does not consider the nature of the public-private partnership that is fundamental to the FirstNet program and fails to convey the full breadth and depth of the voluminous information provided to the OIG in its nearly two-year review of the FirstNet Authority investment process.”

OIG Response. We reviewed the response and FirstNet Authority's response does not warrant altering our findings and recommendations. We are unclear what FirstNet Authority is trying to imply by classifying its relationship with AT&T as a public-private partnership. We are also unclear if FirstNet Authority's intention is to imply that AT&T should have a say regarding acquisition procedures, such as developing and supporting an IGCE for price reasonableness determination, for its own government contract. Further, the Act, which established FirstNet Authority, does not characterize the relationship between FirstNet Authority and AT&T as a public-private partnership. Rather than the term “partnership,” the Act describes the FirstNet contract as resulting from “a **public-private arrangement** to construct, manage, and operate the nation-wide public safety broadband network” (emphasis added). Moreover, the NPSBN contract awarded to AT&T notes specifically that no partnership was created. Instead, FirstNet Authority entered into a standard indefinite-delivery, indefinite-quantity contract with AT&T. A public-private partnership, “...although a contractual arrangement, differs from typical service contracting in that the private sector partner usually makes a substantial cash, at-risk, equity investment in the project, and the public sector gains access to new revenue or service delivery

capacity without having to pay the private sector partner.”³¹ In this instance, however, the government has awarded \$6.5 billion for AT&T to construct and maintain the NPSBN. Fees received by the government associated with AT&T’s lease of Band 14 spectrum used by Public Safety over the life of the contract must be reinvested into the network and can only be used to construct, maintain, operate, or improve the network, further reducing risk to the contractor. Additionally, all of the revenues associated with public safety adoption are realized by AT&T with no benefit to the government. Subsequent to the government funding the NPSBN’s construction and reinvesting funds to operate, maintain, and improve it, the network is ultimately owned by AT&T.

Regardless of the arrangement, as outlined in this report, FirstNet Authority is still required to follow federal and Department acquisition policy for issuing reinvestment task orders, to include conducting an adequate price analysis with source and supporting documentation. We would like to thank FirstNet Authority for providing us with the information and cooperation throughout the audit. However, despite the documentation provided, FirstNet Authority was still not able to sufficiently support its IGCEs ensuring fair and reasonable pricing.

2. IGCE Process

FirstNet Authority Response. “...the FirstNet Authority followed a rigorous process to make these important investments for first responders, including following internal investment and procurement processes, Federal procurement regulations and the relevant aspects of the Department of Commerce (Department) acquisition procedures.”

OIG Response. We reviewed the response and FirstNet Authority’s response does not warrant altering our findings and recommendations. As outlined in this report, the IGCEs should be sufficiently supported with methodologies used to derive the estimated costs. Neither IGCE was properly supported with adequate source documentation. Both IGCEs lacked documentation of the detailed methodology, calculations, and sources used to develop the estimates. In addition, the documentation provided to justify the IGCEs’ reviews did not have any comments regarding the quality of either IGCE. Further, the IGCEs were not dated or signed by any FirstNet Authority official approving as formal or official for decision-making purposes. Further, we will be issuing a separate report addressing FirstNet Authority’s process for identifying and selecting the reinvestment opportunities.

3. Price Variance

FirstNet Authority Response. “Rather than continually updating the original IGCEs, which were point estimates established prior to soliciting the vendor’s proposals, the differences between the FirstNet Authority’s estimates and the final negotiated prices were addressed and documented in summary price analyses prior to determining that the pricing was fair and reasonable, consistent with the Federal Acquisition Regulation (FAR 15.406-3).”

³¹ GAO, February 3, 1999. *Public-Private Partnership: Key Elements of Federal Building and Facility Partnerships*, GGD-99-23. Washington, DC: GAO, p. 60. Available online at <https://www.gao.gov/products/ggd-99-23> (accessed June 23, 2022).

OIG Response. We have reviewed the response and FirstNet Authority's response does not warrant altering our findings and recommendations. As a best practice, the estimates should be updated to reflect changes, especially significant changes, since they can impact program decisions. Further, because there were added requirements that were not reflected in the original IGCEs, the estimates should have been updated to have the ability to analyze the costs of the added requirements. However, neither IGCE was updated with the additional requirements proposed by AT&T that increased the value of the reinvestment task orders. Further, contrary to FirstNet Authority's claim that it instituted controls to follow the FAR price analysis requirements, this report illustrates that the proper process was not followed for conducting adequate price analysis to determine fair and reasonable pricing for all requirements in Task Orders 6 and 7. FAR 15.406-3 states that the CO shall document in the contract file the principal elements of the negotiated agreement and shall include the source and type of data used to support the determination of a fair and reasonable price based on a price analysis and documentation of fair and reasonable pricing. However, this required support information was not documented in the file. For instance, the documentation did not include a detailed price analysis on the additional requirements proposed by AT&T that were not included in the original IGCEs. Finally, there was no documentation supporting how the amounts, for the additional requirements, were deemed appropriate.

4. Good Value

FirstNet Authority Response. "We believe the process we followed for the investments resulted in a good value for our public safety stakeholders."

OIG Response. We reviewed the response and FirstNet Authority's response does not warrant altering our findings and recommendations. As outlined in this report, FirstNet Authority could not demonstrate that it received "a good value" for public safety. As an example, since the additional requirements were not in the IGCEs, FirstNet Authority was unable to compare AT&T's proposed amounts to the IGCEs. FirstNet Authority did not sufficiently document how it determined the additional requirements were fair and reasonable. Further, there was a significant variance between the IGCE and the accepted amount, which diminishes the assurance that prices agreed to and paid were in fact fair and reasonable. We plan to issue a separate report addressing whether the reinvestments were a "good value" for public safety.

We are pleased that the Department and NTIA concurred with our recommendations and look forward to reviewing their proposed audit action plan.

Appendix A: Objective, Scope, and Methodology

The objective of our audit was to determine whether FirstNet Authority's process for reinvesting fee payments is effective and consistent with established practices, procedures, and regulations. We separated the audit objective into different components. This first report focuses only on the price reasonableness of the first two investments. We will issue subsequent reports on other components of the reinvestment process. In accomplishing our objective to date, we did the following:

- Reviewed the following practices, procedures, and guidance:
 - *Middle Class Tax Relief and Job Creation Act of 2012*, Public Law 112-96
 - Federal Acquisition Regulation Part 15 – Contracting by Negotiation
 - *GAO Cost Estimating and Assessment Guide*
 - *GAO Standards for Internal Control in the Federal Government*
 - *Department Scalable Acquisition Project Management Guidebook*
 - *Commerce Acquisition Manual 1307.1*, Acquisition Planning
 - *Commerce Acquisition Manual 1301.71*, Legal Review of Acquisition-Related Actions
 - *FirstNet Acquisition Manual*
- Obtained and reviewed 5G upgrade and deployables task orders.
- Obtained and reviewed FirstNet Authority's IGCEs and narratives for 5G upgrade and deployables investments.
- Obtained and reviewed AT&T's price proposals for 5G upgrade and deployables investments.
- Interviewed FirstNet Authority officials identified as responsible for developing IGCEs.
- Interviewed FirstNet Authority subject-matter experts identified as the main support for developing the IGCEs.
- Interviewed the CLD attorney responsible for reviewing FirstNet Authority's contract actions related to 5G upgrade and deployables investments.

We gained an understanding of the internal control significant within the context of the audit objective by interviewing FirstNet Authority and Department personnel and reviewing policies and procedures. In satisfying our audit objective, we did not rely on computer-processed data. Instead, we reviewed documentation submitted by FirstNet Authority; therefore, we did not test reliability of FirstNet Authority's information technology systems. We identified weaknesses in internal control as noted in the Objective, Findings, and Recommendations section of this report. We found no instances of fraud, waste, or abuse.

We conducted our review from September 2020 through August 2021 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. App.), and Department Organization Order 10-13, October 21, 2020. We performed our fieldwork remotely.

We conducted this performance audit in accordance with generally accepted government auditing standards. These 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B: FirstNet Authority's 5G Upgrade—Phase I

Figure B-1 illustrates the methodology the OCFO used from Task Order 3 to develop Task Order 7.

Figure B-1. 5G Upgrade IGCE Methodology

Core Components

I. Products and Architecture	% of Spend*	Based on TO3	Impacted	% Impacted**	Based on TO3
Services					
Data and Voice Services	1%	\$ CUI	Y	1%	\$ CUI
Services Other Total	0%	\$ CUI			\$ CUI
Applications	0%	\$ CUI			\$ CUI
Devices	0%	\$ CUI	Y	0%	\$ CUI
Architecture and Infrastructure					
Core Infrastructure					
Capex - H/W	1%	\$ CUI	Y	1%	\$ CUI
Capex/Opex - Software	1%	\$ CUI	Y	1%	\$ CUI
Opex - (Non-Transport)	0%	\$ CUI			\$ CUI
Opex - Transport	1%	\$ CUI	Y	1%	\$ CUI
Infrastructure Hardening	1%	\$ CUI			\$ CUI
Security	0%	\$ CUI	Y	0%	\$ CUI
Operations					
Non-Band 14 Network Operations	0%	\$ CUI	Y	0%	\$ CUI
Radio Frequency (RF) Site Integration to Core	0%	\$ CUI	Y	0%	\$ CUI
Total Other Operations	0%	\$ CUI			\$ CUI
II. Business Management					
CRM, Sales, Billing, and Financials	0%	\$ CUI	Y	0%	\$ CUI
Total Components	0%	\$ CUI			\$ CUI

Estimates for Other activities***

	Sites	Unit Cost (dollars)	Total Cost
X2 RAN Interface	\$ CUI	\$ CUI	\$ CUI
Design, Lab Equipment/Testing and Solution Verification			\$ CUI

Grand Total

\$ CUI

*Impacted share of component estimated based on expected changes

**Assigned spend estimated based on consultation with CTO

***Other costs assumed based on view of size of network

Source: FirstNet Authority IGCE of 5G Technology Upgrade Phase I for the NPSBN

Appendix C: Agency Responses

I. Department and NTIA Response



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Acting Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

June 15, 2022

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

FROM: Jeremy Pelter **JEREMY PELTER** Digitally signed by JEREMY PELTER
Date: 2022.06.15 11:10:00 -0400
Acting Chief Financial Officer and Assistant Secretary for Administration

Alan Davidson **ALAN DAVIDSON** Digitally signed by ALAN DAVIDSON
Date: 2022.06.15 12:43:25 -0400
Assistant Secretary of Commerce for Communications and Information and
NTIA Administrator

SUBJECT: Draft Audit Report entitled *FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices*

This memorandum contains the Department's response to the Office of the Inspector General (OIG) draft report entitled *FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices*.

The Department concurs with all the recommendations in the draft report with the comments noted below. We will prepare a formal action plan upon issuance of OIG's final report.

- OIG recommends that the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA) do the following:
 1. Develop a comprehensive cost estimating guide that is aligned with the GAO Cost Guide on how to prepare Independent Government Cost Estimates (IGCEs).
 2. Direct FirstNet Authority to follow the Department's cost estimating guidance for future reinvestment task orders issued under contract FN30117CQ0008.

We accept the OIG recommendations directed to the CFO/ASA.

Regarding Recommendation 1, we suggest revising the text to remove "on how to prepare Independent Government Cost Estimates (IGCEs)" since the GAO Cost Estimating Guide does not provide guidance on the preparation of IGCEs.

In June 2014, the Office of Acquisition Management (OAM) in the Office of the CFO/ASA issued its "Policy of Commerce Cost Estimation and Independent Cost Estimates for High-

Priority Programs and Projects,” which established a clear requirement, policy, and procedures for cost estimating and emphasized the importance of compliance with cost estimating best practices. OAM will develop a cost estimating guide to elaborate on DOC Department-specific cost estimating best practices which will include IGCEs. The guide will incorporate best practice guidance from the U.S. Government Accountability Office (GAO), the Office of Management and Budget (OMB), and the Department of Defense (DoD).

Regarding recommendation 2, the Department’s guidance will apply to all IGCE’s prepared throughout the Department, including FirstNet, after the guidance is issued.

- OIG recommends that the Assistant Secretary of Commerce for Communications and Information and the National Telecommunications & Information Administration (NTIA) Administrator direct FirstNet Authority’s Chief Executive Officer to do the following:
 3. Follow the *GAO Cost Guide* for developing cost estimates.
 4. Develop clear and detailed procedures on how to develop IGCEs, including detailing the source and methodology information needed for a well-documented IGCE.
 5. Train cost estimating team personnel, program officials, and contracting officials on their responsibilities for developing, reviewing, and approving IGCEs and evaluating contracting cost proposals.
 6. Establish a cost estimating team with the appropriate expertise and define qualifications necessary for personnel on the cost estimating team responsible for developing the IGCE.
 7. Require that IGCEs include the name and signature of the preparer, the date prepared, and the signature of the approving official.

We accept the OIG recommendations directed to the Assistant Secretary of Commerce for Communications and Information and NTIA Administrator.

Regarding Recommendation 3, we suggest that the recommendation be revised to direct the FirstNet Authority Chief Executive Officer to follow the Department’s cost estimating guide that will be issued in accordance with Recommendation 1. The GAO Cost Guide is meant to describe cost estimating practices in general. The GAO Guide mentions IGCEs as one type of cost estimate, but they are not the principal focus of GAO’s guide. Furthermore, the GAO Guide does not include guidance on how to prepare an IGCE. The Department’s guide will incorporate best practices contained in the GAO Cost Guide but will include more detailed guidance on IGCEs.

Regarding Recommendation 6, we note that FirstNet may not have a need for a team of full-time personnel dedicated solely to cost estimating. However, we agree that FirstNet should be directed to ensure that personnel who prepare IGCE’s have the appropriate expertise and qualifications to perform this task.

Regarding Recommendation 7, we note that the requirement to identify the preparer and approving official of the IGCE should be addressed by Recommendation 4’s guidance on developing and documenting IGCEs.

The Department appreciates your team's work on this audit, and we thank you for considering these comments. We have also attached comments from the FirstNet Authority for the OIG's consideration. We look forward to working with you as we continue to address the recommendations in this report.

Should you have questions, please contact MaryAnn Mausser, Commerce GAO/OIG Audit Liaison at mmausser@doc.gov.

Attachment: FirstNet Authority Comment Letter

II. FirstNet Authority Response



MEMORANDUM FOR: Arthur Scott
Assistant Inspector General for Audit and Evaluation

FROM: Lisa Casias
Acting Executive Director

SUBJECT: Response of the First Responder Network Authority

LISA
CASIAS

Digitally signed
by LISA CASIAS
Date: 2022.06.07
21:28:33 -0400

The FirstNet program is a public-private partnership whose purpose is to establish the nationwide public safety broadband network (NPSBN).¹ To achieve its mission and pursuant to its enabling statute, the First Responder Network Authority (FirstNet Authority) entered a 25-year contract² with AT&T to build the FirstNet network. The public-private partnership framework uses fees paid by AT&T to completely fund the FirstNet Authority's operations and investments made to improve the network.³ The result is one of the most advanced nationwide public safety broadband networks in the world today, with over 3.3 million device connections, serving more than 20,500 public safety agencies and organizations, and covering 99% of the population, including significant expansion of rural coverage – all achieved in just a few years from the launch of the network buildout.

As reviewed in the OIG's report, the FirstNet Authority undertook two follow-on investments in 2020. The first was an upgrade to the dedicated NPSBN public safety Core network that now allows public safety users to access AT&T's 5G services. The second was an increase in deployable assets capable of providing NPSBN service coverage in areas where coverage is non-existent or has been interrupted. The FirstNet Authority stands behind these investments into the NPSBN because there is no question that they enhance the ability of first responders to save lives and protect communities, every day and in every emergency.

The FirstNet Authority is concerned that the OIG report does not consider the nature of the public-private partnership that is fundamental to the FirstNet program and fails to convey the full breadth and depth of the voluminous information provided to the OIG in its nearly two-year review of the FirstNet Authority investment process. Despite the title of the OIG report, the FirstNet Authority followed a rigorous process to make these important investments for first responders, including following internal investment and procurement processes, Federal procurement regulations and the relevant aspects of the Department of Commerce (Department) acquisition procedures.

With respect to the investments, over a period of nearly six months, the FirstNet Authority solicited initial proposals, held multiple rounds of discussions, and clarified the intended scope of the investments which resulted in multiple revised proposals from the vendor. Rather than continually updating the original IGCEs, which were point estimates established prior to soliciting the vendor's proposals, the differences

¹ See 47 U.S.C. § 1422(a) and 1428(a)(2)(B).

² 47 U.S.C. § 1426(b).

³ 47 U.S.C. § 1428(d).

between the FirstNet Authority's estimates and the final negotiated prices were addressed and documented in summary price analyses prior to determining that the pricing was fair and reasonable, consistent with the Federal Acquisition Regulation (FAR 15.406-3). We believe the process we followed for the investments resulted in a good value for our public safety stakeholders.

The FirstNet Authority understands that it has an important duty to act as a steward for the funds and resources invested in the NPSBN public-private partnership and that the 25-year term of its contract with AT&T provides some constraints in our ability to use marketplace competition as we negotiate pricing to obtain best value. Consequently, the FirstNet Authority will continue to follow procurement best practices in negotiation of task orders under the contract and embrace rigorous oversight of its administration of the public-private partnership. As an organization we always strive to improve our processes and will work with the Department to implement the OIG's recommendations on establishing IGCEs as we continue to make critical investments for our nation's first responders.

Please feel free to contact me at Lisa.Casias@FirstNet.gov if you have any questions.