



# Report Summary

JUNE 2017

## Background

On May 7, 2014, a private party filed a sealed *qui tam* complaint in federal court, alleging that Frontier, West Virginia, Inc. (Frontier), a subrecipient of an NTIA Broadband Technology Opportunities Program (BTOP) grant to the State of West Virginia, had violated the False Claims Act. In essence, the complaint alleged that Frontier misused BTOP grant funds by failing to build an open access network as required and falsely claiming unallowable indirect and inflated costs.

The U.S. Department of Commerce Office of Inspector General (OIG) and the U.S. Department of Justice jointly investigated the complaint on behalf of the United States.

Following the decision by the United States not to intervene, pursuant to the OIG's oversight responsibilities, we continued to investigate several allegations regarding Frontier's performance as a subrecipient under the West Virginia BTOP grant.

NATIONAL TELECOMMUNICATIONS AND INFORMATION  
ADMINISTRATION (NTIA)

**Alleged Unallowable Costs Under NTIA Broadband Technology  
Opportunities Program Grant**

REPORT NUMBER 14-0480

## WHAT THE OIG FOUND

The evidence developed over the course of our investigation established that the Executive Office of West Virginia (EOWV) reimbursed Frontier from BTOP grant funds for approximately \$4.7 million in costs that were unallowable under the applicable rules and regulations. The evidence further established that Frontier placed a significantly greater amount of "maintenance coil" on the BTOP project than the company had previously represented to the public, the EOWV, and to the OIG.

With respect to unallowable costs, the OIG found that (1) the EOWV reimbursed Frontier \$465,000 for invoice processing fees that were unreasonable, unallocable, and not supported by adequate documentation and (2) the EOWV paid Frontier at least \$4.24 million in unallowable indirect "loadings" charges (*e.g.*, overhead and administrative expenses).

In making the findings about both the invoice processing fees and the loadings charges, the OIG noted that there appears to have been a substantive miscommunication between the EOWV and a key NTIA official, in which the EOWV believed in good faith that NTIA had approved these types of charges. Nevertheless, we concluded that this apparent miscommunication would not convert unallowable charges into allowable ones.