January 22, 2010

The Honorable Barbara Mikulski
Chairwoman, Subcommittee on Commerce, Justice, Science,
  and Related Agencies
Committee on Appropriations
United States Senate
Washington D.C. 20510

The Honorable Richard Shelby
Ranking Member, Subcommittee on Commerce, Justice, Science,
  and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Madam Chairwoman and Ranking Member Shelby,

This letter responds to your inquiry regarding the status of the National Telecommunications and Information Administration's (NTIA) Broadband Technology Opportunities Program (BTOP). Since the initiation of this $4.7-billion program, created by the American Recovery and Reinvestment Act of 2009, our office has completed significant oversight of the program's start-up activities. This letter describes the challenges that we believe the program currently faces, along with an overview of our activities to date (see attachment).

BTOP, which aims to award approximately $4.5 billion in grants in less than 18 months, represents a level of grant activity that no Commerce operating unit has ever undertaken. With BTOP, NTIA has had to confront a number of challenges, including staffing a program office, developing grant program rules and regulations, coordinating development activities with other departments and agencies (including Agriculture and the Federal Communications Commission), awarding grants, and performing effective oversight of activities—while limiting expenditures to 3 percent of the program appropriation ($141 million).

On January 6, 2010, we met with the Assistant Secretary for Communications and Information to discuss the status of our evaluation. We communicated program challenges that—if not addressed—we believe may cause NTIA to face difficulties in meeting its statutory deadline of issuing broadband grants by September 30, 2010, and in monitoring the grants after they are awarded. We shared the following concerns:

- NTIA faces operational challenges with its current staffing levels, especially given the program's complexity and deadline. The establishment of the program office required recruiting and training of staff, drafting of operational procedures, development of systems, and monitoring of a significant contract and several Memorandums of Understanding with other Commerce bureaus and federal agencies, all while managing the policy, award, and monitoring operations. The staffing constraints are due in part to the time-intensive requirements involved with setting up new operations, as well as key dependencies on a few senior team personnel who handle multiple roles within BTOP and, in some instances, in other NTIA programs as well.
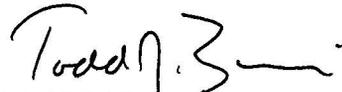
- Documentation is not consistently available for operational program procedures, program staff roles and responsibilities, and key management decisions. Such documentation is needed to ensure that government staff and contractors understand and effectively carry out their responsibilities. Adequate documentation is particularly important to ensure continuity in the event the program loses any of its limited number of key staff, while documentation of key decisions is needed to achieve transparency in decision making.

- NTIA encountered problems with the application-intake system during the first round of the applications process because the system was unable to handle the volume of applications submitted. This resulted in extending the deadline for receiving applications and implementing procedures for collecting select application materials on paper. While system modifications have been made to address these issues, only a short period of time remains in which to sufficiently test the system and ensure that adequate functionality is delivered for the second-round production cycle.

- NTIA also encountered challenges with the application review process. Volunteer peer reviewers failed to complete reviews or submit review scores in a timely manner, and thus were not meeting timeliness expectations. Supplemental reviewers obtained from Booz Allen Hamilton were subsequently used to complete many of the application reviews. The review of applications, originally expected to be complete by mid-September 2009, was delayed by 3 months, to mid-December 2009.

As NTIA enters its second round of issuing broadband grants, it must not only avoid the problems with application intake and the recruitment of sufficient application reviewers that hindered the first round of awards, it must also enhance internal program management operations for grants already awarded. We are concerned that the program is at risk of not being able to efficiently and effectively issue its second round of awards by the statutory deadline of September 30, 2010, while simultaneously providing post-award monitoring of first-round recipients. Continued focus on improving program operations in these areas is essential.

Attached to this letter is a listing of our activities related to BTOP since passage of the Recovery Act.

If we can provide any further information, please contact Ann C. Eilers, Project Lead, Recovery Act Oversight Task Force, at 202.482.4328, or myself, at 202.482.4661.

Sincerely,

Todd J. Zinser

Attachment

Attachment

OFFICE OF INSPECTOR GENERAL ACTIVITIES SINCE PASSAGE OF THE RECOVERY ACT RELATED TO THE BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)

- In March 2009, we issued of a brief report entitled *NTIA Should Apply Lessons Learned from Public Safety Interoperable Communications Program to Ensure Sound Management and Timely Execution of $4.7-billion Broadband Technology Opportunities Program* (ARR-19583). The report noted that NTIA needs to seek extended funding for the program office beyond 2010 to ensure proper oversight, evaluate and approve detailed project proposals and spending plans with joint peer reviews before making grant awards, and complete an environmental assessment of BTOP promptly.

- In May 2009, we issued a brief report entitled *Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expediency with Accountability* (ARR-19692). The report provided best practices and recommendations of approaches Commerce Agencies could adopt to achieve accountability and transparency while spending expeditiously.

- In July 2009, we made presentations on *Transparency and Accountability in Broadband Grants* to potential applicants at the ten NTIA and Rural Utility Service workshops conducted for the first Notice of Funding Availability.

- In September 2009, we initiated an evaluation of BTOP with the following objectives: (1) assess how effectively NTIA is implementing BTOP, including management controls, contractor oversight, and program office staffing; (2) evaluate the proposal pre-award review measures that NTIA is taking to ensure an effective and fair application and award process; and (3) evaluate the integrity and reliability of the online application system. Since that time, we have been tracking the pre-award process for the first round of BTOP awards, keeping BTOP personnel informed of our concerns. We have identified several issues that must be addressed as the second round of awards—in which NTIA plans to award more funds, $2.6 billion, as opposed to $1.6 billion in the first round—approaches. This letter highlights these concerns, and we will soon be issuing a full report with more detail on these issues.

- In October 2009, we issued a report entitled *Commerce Has Implemented Operations to Promote Accurate Recipient Reporting, but Improvements are Needed* (ARR-19847). In December 2009, we issued a report entitled *More Automated Processing by Commerce Bureaus Would Improve Recovery Act Reporting* (ARR-19779). In these two reports we made recommendations to improve overall Commerce Recovery Act reporting (including NTIA).

- Also in October 2009, our Office of Investigations provided *Recovery Act Oversight Program Fraud Prevention Training* and *Recovery Act Oversight Program Fraud Indicators Training* to BTOP personnel.

- In November 2009, we presented a *First Time Grantee Workshop* to BTOP personnel because many of the recipients of broadband grants were expected to be first-time awardees.