

November 2009

# RECOVERY ACT

## Agencies Are Addressing Broadband Program Challenges, but Actions Are Needed to Improve Implementation



GAO

Accountability \* Integrity \* Reliability



Highlights of [GAO-10-80](#), a report to congressional committees

# RECOVERY ACT

## Agencies Are Addressing Broadband Program Challenges, but Actions Are Needed to Improve Implementation

### Why GAO Did This Study

Access to broadband service is seen as vital to economic, social, and educational development, yet many areas of the country lack access to, or their residents do not use, broadband. To expand broadband deployment and adoption, the American Recovery and Reinvestment Act (Recovery Act) provided \$7.2 billion to the Department of Commerce's National Telecommunications and Information Administration (NTIA) and the Department of Agriculture's Rural Utilities Service (RUS) for grants or loans to a variety of program applicants. The agencies must award all funds by September 30, 2010.

This report addresses the challenges NTIA and RUS face; steps taken to address challenges; and remaining risks in (1) evaluating applications and awarding funds and (2) overseeing funded projects. GAO reviewed relevant laws and program documents and interviewed agency officials and industry stakeholders.

### What GAO Recommends

The Secretaries of Commerce and Agriculture should ensure sufficient time to review applications in the second funding round, develop contingency plans for oversight beyond fiscal year 2010, and develop program performance measures. The Secretary of Commerce should also set annual audit requirements for commercial grantees. NTIA and RUS agreed with GAO's recommendations.

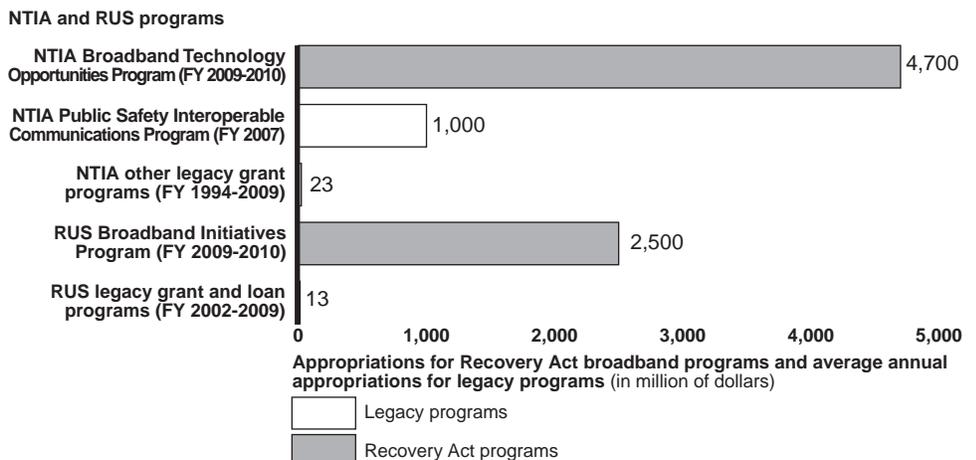
[View GAO-10-80 or key components.](#)  
For more information, contact Mark L. Goldstein at (202) 512-2834 or [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov).

### What GAO Found

**Application evaluation and awards.** NTIA and RUS face scheduling, staffing, and data challenges in evaluating applications and awarding funds. NTIA, through its new Broadband Technology Opportunities Program, and RUS, through its new Broadband Initiatives Program, must review more applications and award far more funds than the agencies formerly handled through their legacy telecommunications grant or loan programs, including NTIA's largest legacy grant program, Public Safety Interoperable Communications (see fig.). NTIA and RUS initially proposed distributing these funds in three rounds, but recently adopted two rounds. To meet these challenges, the agencies have established a two-step application evaluation process that uses contractors or unpaid, independent experts for application reviews and plan to publish information on applicants' proposed service areas to help ensure the eligibility of proposed projects. While these steps address some challenges, the upcoming deadline for awarding funds may pose risks to the thoroughness of the application evaluation process. In particular, the agencies may lack time to apply lessons learned from the first funding round and to thoroughly evaluate applications for the remaining rounds.

**Oversight of funded projects.** NTIA and RUS will oversee a significant number of projects, including projects with large budgets and diverse purposes and locations. In doing so, the agencies face the challenge of monitoring these projects with far fewer staff per project than were available for their legacy grant and loan programs. To address this challenge, NTIA and RUS have hired contractors to assist with oversight activities and plan to require funding recipients to complete quarterly reports and, in some cases, obtain annual audits. Despite these steps, several risks remain, including a lack of funding for oversight beyond fiscal year 2010 and a lack of updated performance goals to ensure accountability for NTIA and RUS. In addition, NTIA has yet to define annual audit requirements for commercial entities funded under the Broadband Technology Opportunities Program.

**Recovery Act Broadband Programs Are Larger Than Legacy Programs**



Source: GAO analysis of NTIA and RUS data.

Note: Because RUS provides loans, in addition to grants, the award amount can exceed the appropriation.  
United States Government Accountability Office

---

# Contents

---

<b>Letter</b>		1
	Background	3
	NTIA and RUS Have Taken Steps to Address Challenges, Including Scheduling and Staffing, Associated With Evaluating Applications and Awarding Funds; However, Some Risks Remain	9
	NTIA and RUS Face Staffing Challenges in Overseeing Funded Projects, and Despite Steps Taken, Several Risks to Project Oversight Remain	18
	Conclusions	27
	Recommendations for Executive Action	29
	Agency Comments and Our Evaluation	30
<b>Appendix I</b>	<b>Stakeholder Organizations or Individuals Interviewed</b>	32
<b>Appendix II</b>	<b>Comments from the Department of Agriculture</b>	33
<b>Appendix III</b>	<b>Comments from the Department of Commerce</b>	40
<b>Appendix IV</b>	<b>GAO Contact and Staff Acknowledgments</b>	41
<b>Tables</b>		
	Table 1: Summary of Broadband Program Provisions in the Recovery Act	5
	Table 2: Estimated NTIA and RUS Full-Time-Equivalent Staff for Grant and Loan Programs	21
	Table 3: Annual Audit Requirements for BTOP and BIP Funding Recipients	25

---

---

## Figures

Figure 1: Recovery Act Broadband Program Milestones	8
Figure 2: Average Annual Appropriations for NTIA Telecommunications and RUS Broadband Programs	10
Figure 3: Average Annual Applications—NTIA Telecommunications and RUS Broadband Programs	12

---

## Abbreviations

BIP	Broadband Initiatives Program
BTOP	Broadband Technology Opportunities Program
DHS	Department of Homeland Security
DOC	Department of Commerce
FCC	Federal Communications Commission
GPRA	Government Performance and Results Act of 1993
kbps	kilobits per second
NOFA	Notice of Funds Availability
NTIA	National Telecommunications and Information Administration
OMB	Office of Management and Budget
PSIC	Public Safety Interoperability Communications
RUS	Rural Utilities Service
USDA	Department of Agriculture

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office  
Washington, DC 20548

---

November 16, 2009

The Honorable John D. Rockefeller, IV  
Chairman  
The Honorable Kay Bailey Hutchison  
Ranking Member  
Committee on Commerce, Science, and Transportation  
United States Senate

The Honorable Henry A. Waxman  
Chairman  
The Honorable Joe Barton  
Ranking Member  
Committee on Energy and Commerce  
House of Representatives

Increasingly, access to affordable broadband telecommunications<sup>1</sup> is viewed as critical to economic, educational, and social development. For example, broadband technology makes it possible for patients to visit local clinics and receive medical attention from specialists hundreds of miles away; allows students to access information not available from their local libraries; and gives school systems a means of using one teacher to provide advanced courses to students in multiple schools. According to the Federal Communications Commission (FCC), broadband technology is a key driver of economic growth. The ability to share large amounts of information at ever-greater speeds increases productivity, facilitates commerce, and drives innovation. Broadband is particularly critical in rural areas, where advanced communications can reduce the distances that isolate remote communities. Yet millions of Americans do not have access to, or do not use, broadband.

---

<sup>1</sup>The Federal Communications Commission (FCC) defined “broadband” as referring to advanced communications systems capable of providing high-speed transmission of services such as data, voice, and video over the Internet and other networks. However, for purposes of providing funding, the Department of Commerce and the Department of Agriculture define broadband as two-way data transmission with advertised speed of at least 768 kilobits per second (kbps) downstream and at least 200 kbps upstream from end users.

---

Enacted on February 17, 2009, the American Recovery and Reinvestment Act<sup>2</sup> (Recovery Act) appropriated \$7.2 billion<sup>3</sup> to extend access to broadband throughout the United States. Of the \$7.2 billion, \$4.7 billion was appropriated for the Department of Commerce's (DOC) National Telecommunications and Information Administration (NTIA) and \$2.5 billion for the Department of Agriculture's (USDA) Rural Utilities Service (RUS). Specifically, the Recovery Act authorized NTIA, in consultation with FCC, to create the Broadband Technology Opportunities Program (BTOP) to manage competitive grants to a variety of entities for broadband infrastructure, public computer centers, and innovative projects to stimulate demand for, and adoption of, broadband. Of the \$4.7 billion, up to \$350 million was available pursuant to the Broadband Data Improvement Act and for the purpose of developing and maintaining a nationwide map featuring the availability of broadband service, with some funds available for transfer to FCC for the development of a national broadband plan to help ensure that all people in the United States have access to broadband.<sup>4</sup> Similarly, RUS established the Broadband Initiatives Program (BIP) to make loans and to award grants and loan-grant combinations for broadband infrastructure projects in rural areas.

This report is part of GAO's ongoing efforts to monitor Recovery Act programs. In addition, it builds on prior reports by GAO and the Inspectors General of USDA, DOC, and FCC that found that broadband programs pose certain challenges—including difficulties in identifying broadband coverage, targeting rural areas, and completing projects—and may present risks of waste, fraud and abuse. Accordingly, this report addresses two questions: (1) what are the challenges and risks, if any, NTIA and RUS face in evaluating applications and awarding funds and the steps they have taken to address identified risks, and (2) what are the challenges and risks, if any, the agencies face in overseeing funded projects and the steps they have taken to address identified risks?

---

<sup>2</sup>Pub. L. No.111-5, 123 Stat. 115 (2009).

<sup>3</sup>While this amount is substantial, it is small relative to the amount private industry invests. According to a major telecommunications association, broadband service providers invest approximately \$60 billion a year in broadband.

<sup>4</sup>On July 8, 2009, NTIA published a Notice of Funds Availability (NOFA) and solicitation of applications to announce the availability of funds for the State Broadband Data and Development Grant Program pursuant to the authority provided in the American Recovery and Reinvestment Act of 2009, P. L. 111-5, 123 Stat. 115 (2009), and the Broadband Data Improvement Act, Title I, P. L. 110-385, 122 Stat. 4096 (2008). 74 Fed. Reg. 32545 (2009).

---

To address these questions, we reviewed NTIA, RUS, and FCC program documentation. We also interviewed relevant staff from the three agencies regarding their agencies' efforts to implement the broadband provisions of the Recovery Act. We reviewed relevant laws and regulations; guidance from the Office of Management and Budget (OMB), DOC, the Department of Justice, and the Domestic Working Group, an intergovernmental audit community of 19 federal and state agencies; and prior GAO reports. We compared the agencies' efforts to relevant laws, regulations, and guidance to identify strengths and weaknesses in their efforts. To determine what reporting and audit requirements will apply to recipients of NTIA and RUS funding, we reviewed the Single Audit Act,<sup>5</sup> agency regulations and documents, and OMB guidance, and interviewed agency officials. We reviewed these audit requirements to determine which requirements would apply to the different types of applicants, including commercial (for profit) applicants, nonprofit organizations, and state or local governments; we did not evaluate which audit requirements would be most effective for providing oversight of awarded funds. In addition, we did not evaluate how NTIA or RUS have reviewed and analyzed submitted audit reports in the past to determine the effectiveness of their review of these audit reports. Finally, we interviewed 15 stakeholders representing a range of interests, including associations representing wireline, wireless, cable, and satellite service providers; consumer advocates; telecommunications policy researchers; and state telecommunications regulators to obtain their views on the potential challenges and risks facing the agencies. See appendix I for a list of the stakeholders we interviewed.

We conducted our work from April through November 2009 in accordance with generally accepted government auditing standards. Those 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

## Background

Both NTIA's BTOP and RUS's BIP programs focus primarily on broadband infrastructure deployment, but the programs have some differences based on provisions in the Recovery Act (see table 1). BTOP funds are intended

---

<sup>5</sup>31 U.S.C. ch. 75.

---

to expand broadband access to unserved and underserved areas.<sup>6</sup> BTOP funds can also be awarded to projects that promote broadband demand and adoption and provide equipment, training, and access for higher education, job creation, public safety and health, and other facilities that serve vulnerable populations. BIP focuses on rural areas<sup>7</sup> and its funds can be used solely for broadband infrastructure deployment. The agencies also have different project eligibility requirements. For example, the Recovery Act requires that BTOP applicants demonstrate that a project would not have been implemented during the grant period without federal grant assistance; the Recovery Act does not include a similar requirement for RUS broadband applicants.<sup>8</sup>

---

<sup>6</sup>As defined in the NOFA, an “unserved” area is a proposed funded service area composed of one or more contiguous census blocks, where at least 90 percent of the households in the area lack access to facilities-based, terrestrial broadband service, either fixed or mobile, at advertised speeds of at least 768 kbps downstream and at least 200 kbps upstream. An “underserved” area is a proposed funded service area of one or more contiguous census blocks that meet at least one of the following criteria: (1) no more than 50 percent of the households have access to facilities-based, terrestrial broadband service with advertised speeds of greater than 768 kbps downstream and at least 200 kbps upstream; (2) no fixed or mobile broadband service provider advertises service speeds of at least three megabits per second downstream in the proposed funded service area; or (3) the rate of broadband subscribership does not exceed 40 percent of the households in the proposed service area. 74 Fed. Reg. 33104, 33109 (2009).

<sup>7</sup>As defined in the NOFA, a rural area is any area, as confirmed by the latest decennial census of the Bureau of the Census, which is not located within (1) a city, town, or incorporated area that has a population of greater than 20,000 inhabitants or (2) an urbanized area contiguous and adjacent to a city or town that has a population of more than 50,000 inhabitants. 74 Fed. Reg. 33104, 33109 (2009).

<sup>8</sup>Pub. L. No. 111-5, div B, tit. VI, § 6001(e)(3).

**Table 1: Summary of Broadband Program Provisions in the Recovery Act**

Requirement	Agencies	
	NTIA BTOP	RUS BIP
Purpose	<p><i>Infrastructure:</i> Provide access to consumers residing in unserved areas and improved access to consumers residing in underserved areas.</p> <p><i>Access and education:</i> Provide broadband access, education, awareness, training, equipment, and support to schools, libraries, health care providers, job-creating strategic facilities, and other organizations serving vulnerable populations.</p> <p><i>Public safety:</i> Provide improved access to, and use of, broadband service by public safety agencies.</p> <p><i>Sustainable adoption:</i> Stimulate the demand for broadband, economic growth, and job creation.</p>	<p><i>Infrastructure:</i> Make funding available for grants, loans, and loan-grant combinations for broadband infrastructure in rural areas without sufficient access to high-speed broadband service to facilitate rural economic development.</p>
Funding	<p>\$4.7 billion total funding with the following provisions:</p> <ul style="list-style-type: none"> <li>not less than \$4.35 billion for competitive broadband grants, including not less than \$200 million for public computer centers, and not less than \$250 million for sustainable broadband adoption programs;</li> <li>\$10 million for DOC Inspector General;</li> <li>up to \$350 million may be expended pursuant to the Broadband Data Improvement Act for the development and maintenance of a comprehensive, searchable, nationwide broadband inventory map; and</li> <li>some of the funding may be transferred to FCC for development of a national broadband plan or other related purposed with appropriate notification to Congress.</li> </ul>	<p>\$2.5 billion for the cost of broadband grants, loans, and loan guarantees.<sup>a</sup></p>
Project eligibility	<p>Awardees must demonstrate that</p> <ul style="list-style-type: none"> <li>the project conforms with statutory purposes;</li> <li>the project would not have been implemented but for federal grant assistance;</li> <li>the project budget is reasonable; and</li> <li>the federal share will not exceed 80 percent of the total budget, except if the Secretary of Commerce grants a waiver for financial assistance.<sup>b</sup></li> </ul>	<p>At least 75 percent of the area to be served by a project shall be in a rural area without sufficient access to high-speed broadband service to facilitate rural economic development as determined by the Secretary of Agriculture.</p>

Requirement	Agencies	
	NTIA BTOP	RUS BIP
Priority for awarding funds	<p>The Assistant Secretary of Commerce for Communications and Information shall to the extent practical:</p> <ul style="list-style-type: none"> <li>(1) award at least 1 grant in each state;</li> <li>(2) consider whether an application to deploy infrastructure will, for the greatest population of users <ul style="list-style-type: none"> <li>(a) increase affordability and subscribership;</li> <li>(b) provide the greatest broadband speed possible;</li> <li>(c) enhance service for health care, education, or children; and</li> <li>(d) not result in unjust enrichment through funding from another federal program; and</li> </ul> </li> <li>(3) consider whether the applicant is a socially and economically disadvantaged small business.</li> </ul>	<p>Priority shall be given to project applications that:</p> <ul style="list-style-type: none"> <li>(1) deliver end users a choice of more than one service provider;</li> <li>(2) provide service to the highest proportion of rural residents that do not have access to broadband service;</li> <li>(3) include current or former RUS telecommunications borrowers;</li> <li>(4) demonstrate that all project elements will be fully funded;</li> <li>(5) can commence and be completed; and</li> <li>(6) demonstrate that no area of a funded project may receive funding to provide broadband service under BTOP.</li> </ul>

Source: GAO analysis of Recovery Act broadband provisions.

<sup>a</sup>Although the Recovery Act included loan guarantees, RUS indicated that it would not offer loan guarantees.

<sup>b</sup>Awardees will be required to provide matching funds of at least 20 percent toward the total eligible project costs. State and local government applicants must demonstrate that they will appropriate funds required to meet the 20 percent match requirement.

To implement the Recovery Act, NTIA and RUS will fund several types of projects. The agencies will fund last-mile and middle-mile network infrastructure projects to extend broadband service in unserved or underserved areas. According to NTIA and RUS, last-mile projects are those infrastructure projects whose predominant purpose is to provide broadband service to end users or end-user devices. Middle-mile projects mostly do not provide broadband service to end users or end-user devices, but instead provide relatively fast, large-capacity connections between backbone facilities—long-distance, high-speed transmission paths for transporting massive quantities of data—and last-mile projects. NTIA is also funding public computer centers and sustainable adoption projects.

Both NTIA and RUS have experience with similar broadband grant or loan programs. Before receiving Recovery Act funding, NTIA implemented the Technology Opportunities Program; this program promoted the innovative use of information and communication technologies, primarily in underserved population segments, to promote public benefits. Additionally, NTIA implemented other, nonbroadband programs, such as the Public Safety Interoperability Communications (PSIC) program, which provides funding to public safety organizations; the digital television transition coupon program; and the Public Telecommunications Facilities

---

Program, which provides funding to public broadcasters. RUS has prior and ongoing experience with several broadband-specific programs—including the Rural Broadband Access Loan and Loan Guarantee (Broadband Access Loan) Program which funds the construction, improvement, and acquisition of facilities and equipment for broadband service in eligible rural communities, and the Community Connect broadband grant program, which funds broadband on a “community-oriented connectivity” basis to currently unserved rural areas for the purpose of fostering economic growth and delivering enhanced health care, education, and public safety services.

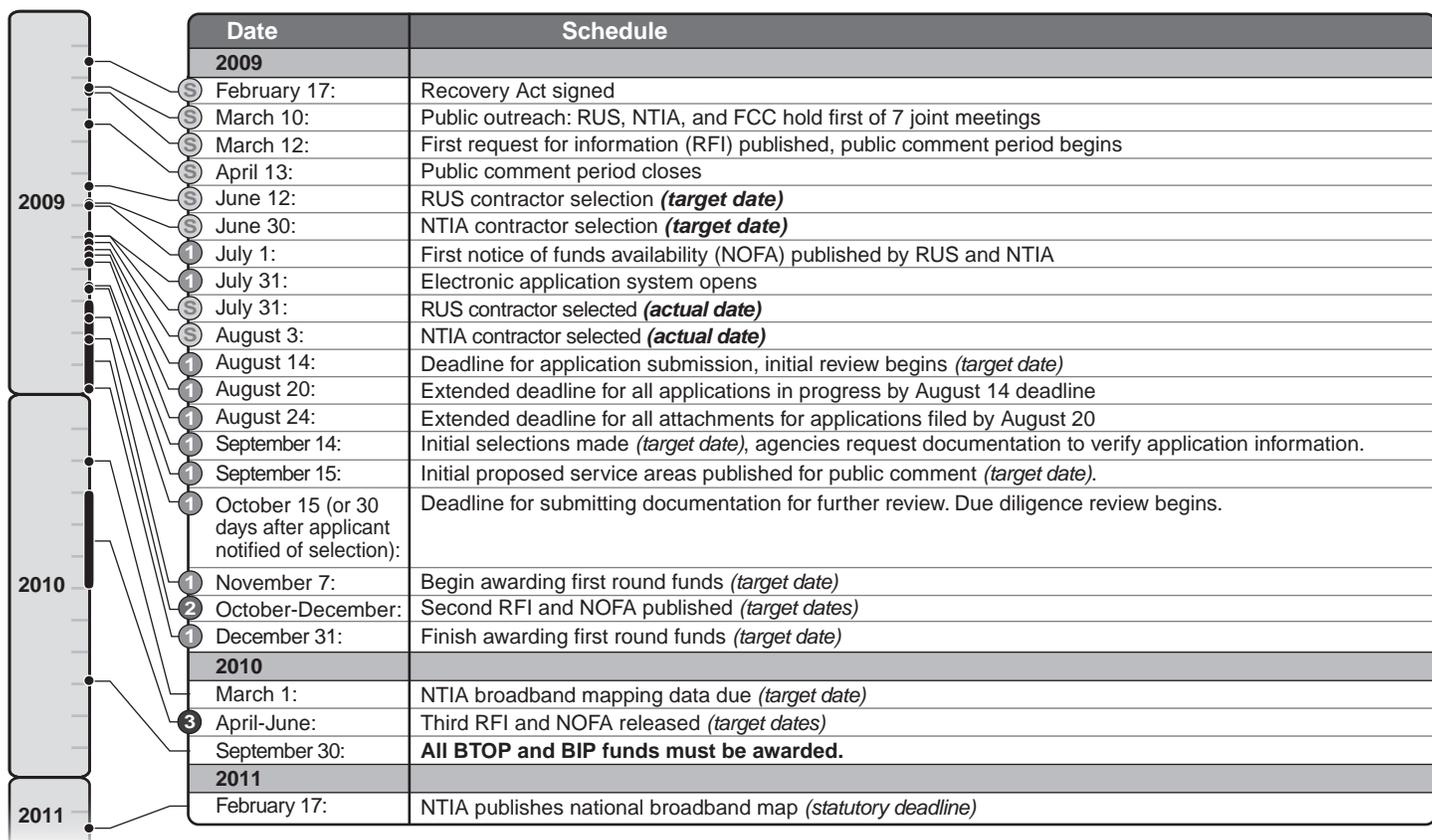
To implement the broadband provisions in the Recovery Act, NTIA and RUS coordinated their efforts and developed program milestones (see fig. 1). OMB tasked agencies implementing Recovery Act programs to engage in aggressive outreach with potential applicants. NTIA and RUS, with FCC coordination, held a series of public meetings in March 2009, explaining the overall goals of the new broadband programs. NTIA and RUS also sought public comments from interested stakeholders on various challenges that the agencies would face in implementing the broadband programs through these meetings and by issuing a Request for Information. NTIA and RUS received over 1,500 comments. FCC, in a consultative role, provided support in developing technical definitions and participated in the first kick-off meeting. On July 1, 2009, Vice President Joe Biden, Secretary of Commerce Gary Locke, and Secretary of Agriculture Tom Vilsack announced the release of the first joint Notice of Funds Availability (NOFA) detailing the requirements, rules, and procedures for applying for BTOP grants and BIP grants, loans, and loan-grant combinations.<sup>9</sup> Subsequently, the agencies held 10 joint informational workshops throughout the country for potential applicants to explain the programs, the application process, and the evaluation and compliance procedures, and to answer stakeholder questions. NTIA and RUS coordinated and developed a single online intake system whereby applicants could apply for either BTOP or BIP funding. NTIA and RUS initially indicated that they would award Recovery Act broadband program funds in three jointly-conducted rounds and initially expected to issue the NOFA for a second funding round before the end of calendar year 2009 and for a third round in 2010. In a draft version of this report, we recommended that the agencies combine the second and third funding rounds. Subsequently, on November 10, 2009, the agencies announced that

---

<sup>9</sup>74 Fed. Reg. 33104 (2009).

they would award the remaining program funds in one round, instead of two.<sup>10</sup> Both BTOP and BIP projects must be substantially complete within 2 years and fully complete no later than 3 years following the date of issuance of their award.

**Figure 1: Recovery Act Broadband Program Milestones**



- Ⓢ Program set-up activities
- ① 1st funding round activities
- ② 2nd funding round activities
- ③ 3rd funding round activities

Source: GAO analysis of NTIA and RUS data.

<sup>10</sup>NTIA press release, *NTIA and RUS Streamline Programs to Bring Broadband, Jobs to More Americans: Plan to Consolidate Final Two Funding Rounds, Seek Comment on Program Enhancements* (Nov. 10, 2009).

---

## NTIA and RUS Have Taken Steps to Address Challenges, Including Scheduling and Staffing, Associated With Evaluating Applications and Awarding Funds; However, Some Risks Remain

NTIA and RUS face scheduling, staffing, and data challenges in evaluating applications and awarding funds. The agencies have taken steps to meet these challenges, including the adoption of a two-step evaluation process, utilization of nongovernmental personnel, and publication of information on the applicant's proposed service area. While these steps address some challenges, the agencies' remaining schedule may pose risks to the review of applications. In particular, the agencies may lack the needed time to apply lessons learned from the first funding round and may face a compressed schedule to review new applications, thereby increasing the risk of awarding funds to projects that may not be sustainable or do not meet the priorities of the Recovery Act.

---

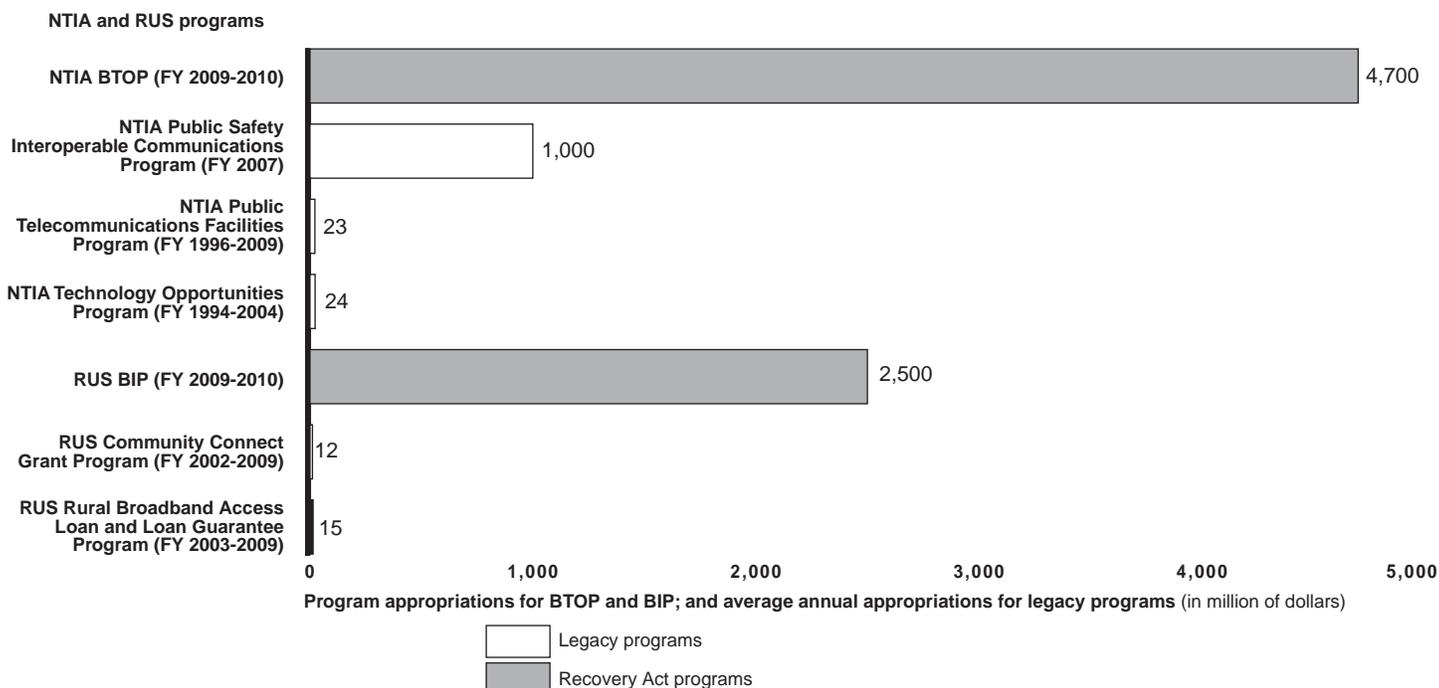
## NTIA and RUS Face Scheduling, Staffing, and Data Challenges in the Evaluation of Applications and Awarding of Funds

**Scheduling challenges.** Under the provisions of the Recovery Act, NTIA and RUS must award all funds by September 30, 2010. Thus, the agencies have 18 months to establish their respective programs, solicit and evaluate applications, and award funds. While in some instances a compressed schedule does not pose a challenge, two factors increase the challenges associated with the 18-month schedule. First, while RUS has existing broadband programs, albeit on a much smaller scale than BIP, NTIA must establish the BTOP program from scratch. Second, the agencies face an unprecedented volume of funds and anticipated number of applications compared to their previous experiences.

The volume of funds to be awarded exceeds previous broadband-related programs implemented by NTIA and RUS. While NTIA and RUS have prior experience in administering grant or loan programs, these programs had less budgetary authority than the programs in the Recovery Act (see fig. 2). Of the \$7.2 billion appropriated in the Recovery Act, NTIA received \$4.7 billion for BTOP. In comparison, NTIA administered the PSIC program, a one-time grant program with an appropriation of about \$1 billion for a single year, in close coordination with the Department of Homeland Security (DHS). Additionally, NTIA's Public Telecommunications Facilities Program received an average of \$23 million annually and its Telecommunications Opportunities Program received \$24 million

annually. RUS received \$2.5 billion from the Recovery Act for BIP.<sup>11</sup> In comparison, RUS's Community Connect program's average annual appropriation was \$12 million and its Broadband Access Loan Program's average annual appropriation was \$15 million.<sup>12</sup> According to preliminary information from the agencies, they received approximately 2,200 applications requesting \$28 billion in grants and loans in the first funding round. Based on the number of applications received and the funds requested, the average amount an applicant sought was \$12.7 million, or almost half the size of the total average appropriation for NTIA's Technology Opportunities Program.

**Figure 2: Average Annual Appropriations for NTIA Telecommunications and RUS Broadband Programs**



Source: GAO analysis of NTIA and RUS data.

<sup>11</sup>RUS received \$2.5 billion for both grants and the cost of loans. RUS stated that it will allocate \$2 billion for grants and \$500 million for loans. Based on the conditions prescribed by the Federal Credit Reform Act of 1990, RUS expects the \$500 million allocation to support loans with a total principal amount of approximately \$7 billion.

<sup>12</sup>RUS officials indicated that, on average, the budget authority for these programs supported an estimated program level of \$300-\$400 million.

---

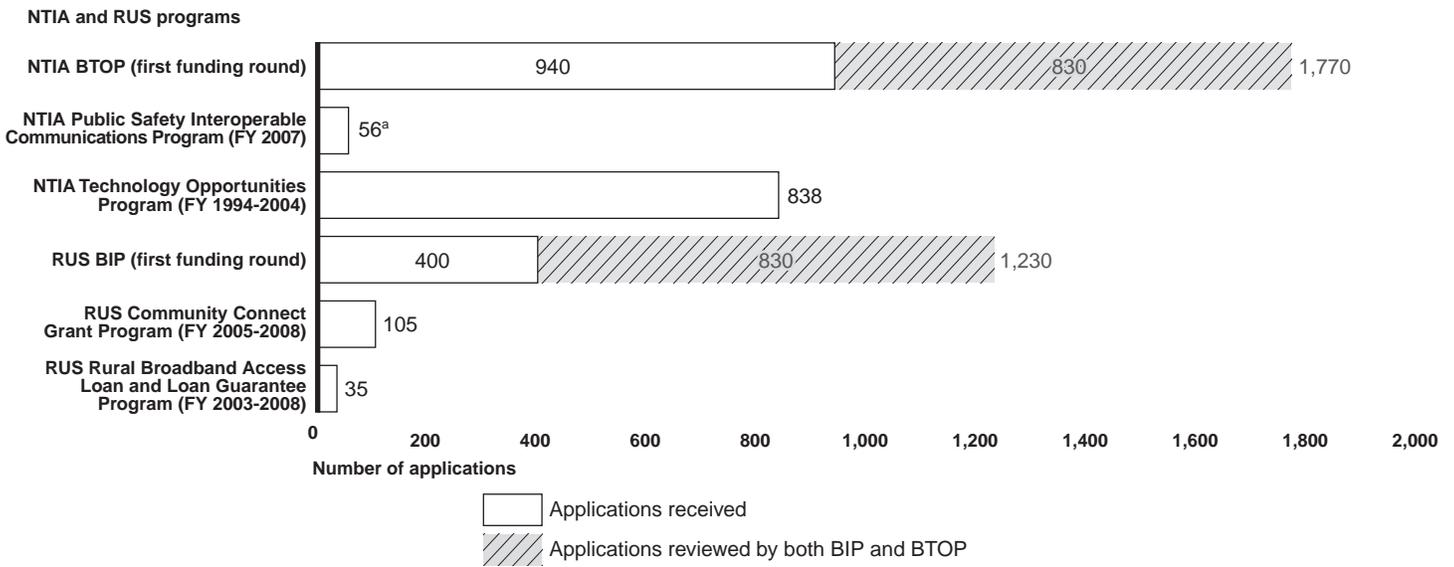
Note: RUS's loan allocation will support a principal amount exceeding the appropriation. For example, RUS expects the \$500 million in budget authority allocated to loans under BIP will support a total program level of about \$7 billion. Similarly, RUS officials indicated that the corresponding annual total loan level under the Broadband Access Loan Program was \$300-\$400 million.

NTIA and RUS also face an increase in the number of applications that they must review and evaluate in comparison to similar programs (see fig. 3). As mentioned previously, the agencies indicated that for the first round of funding alone, they received 2,200 applications.<sup>13</sup> Of these 2,200 applications, NTIA received 940 applications exclusively for BTOP and RUS received 400 applications exclusively for BIP and 830 dual applications for both programs. Both NTIA and RUS will review the dual applications; if RUS does not fund the project through the BIP program, NTIA can consider funding the project through the BTOP program. By comparison, NTIA received an average of 838 applications annually for the Telecommunications Opportunities Program; for PSIC, NTIA and DHS received 56 applications from state and territorial governments containing a total of 301 proposed projects. RUS received an average of 35 applications annually for the Broadband Access Loan Program and an average of 105 applications annually for the Community Connect program. In addition, since BTOP and BIP will not carry over applications between rounds, applicants who do not receive funding in the first round must reapply to be eligible for consideration for funding in the second round. Therefore, a single proposed project may be evaluated multiple times by BTOP and BIP reviewers. Fourteen of 15 stakeholders with whom we spoke expressed concern that the agencies will face challenges in adequately reviewing the large number of expected applications in the time frame allotted.

---

<sup>13</sup>Under the first funding round, NTIA will award up to \$1.6 billion of its \$4.7 billion budgetary authority, and RUS will award up to \$2.4 billion in grants and loans. This \$2.4 billion is out of the projected \$9 billion total award from RUS, not the \$2.5 billion in budgetary authority.

**Figure 3: Average Annual Applications—NTIA Telecommunications and RUS Broadband Programs**



Source: GAO analysis of NTIA and RUS data.

<sup>a</sup>In 2007, through the Public Safety Interoperable Communications grant program, NTIA coordinated with DHS's grants office to review 56 grant applications from states and territories, representing about 301 individual projects, and awarded almost \$1 billion in grant funds to assist public safety agencies in enhancing communications interoperability nationwide.

**Staffing challenges.** NTIA and RUS will need additional personnel to administer BTOP and BIP. NTIA is establishing a new program with BTOP and will for the first time award grants to commercial entities. NTIA's initial risk assessment indicated that a lack of experienced and knowledgeable staff was a key risk to properly implementing the program in accordance with the priorities of the Recovery Act. In its fiscal year 2010 budget request to Congress, NTIA estimated that it will need 30 full-time-equivalent staff in fiscal year 2009 and 40 more full-time-equivalent staff for fiscal year 2010. While RUS already has some broadband loan and grant programs in place and staff to administer them, it also faces a shortage of personnel. RUS's staffing assessments indicated that the agency will need 47 additional full-time-equivalents to administer BIP. Prior to the Recovery Act, RUS had 23 full-time-equivalent staff in fiscal year 2008 for its Broadband Access Loan Program and no full-time-equivalent staff dedicated to the Community Connect program; RUS utilized personnel from the Broadband Access Loan Program for the Community Connect program. RUS indicated that it would have Broadband Access Loan Program staff also assist with BIP.

---

**Data challenges.** NTIA and RUS lack detailed data on the availability of broadband service throughout the country that may limit their ability to target funds to priority areas. According to NTIA and RUS, priority areas include unserved and underserved areas. NTIA and RUS require applicants to assemble their proposed service areas from contiguous census blocks<sup>14</sup> and to identify the proposed service area as unserved or underserved. However, RUS and NTIA will be awarding loans and grants before the national broadband plan or broadband mapping is complete. NTIA does not expect to have complete, national data on broadband service levels at the census block level until at least March 2010.<sup>15</sup> Eight of 15 stakeholders with whom we spoke said that the agencies face challenges determining whether proposed service areas meet the requirements for underserved and unserved in order to effectively award funds. To work around this problem, the agencies plan to use existing FCC data<sup>16</sup> on broadband service levels (Form 477 data) and state broadband service maps where available. However, the data collected by FCC are at the census tract level, not the census block level. In addition, although FCC and NTIA have discussed NTIA's access to and use of the Form 477 data, the agencies have not developed formal procedures; RUS has not discussed use of the Form 477 data with FCC. Finally, not all states have broadband maps.<sup>17</sup>

---

<sup>14</sup>Census blocks are the smallest geographic areas for which the U.S. Bureau of the Census collects and tabulates decennial census data. Census blocks are formed by streets, roads, railroads, streams and other bodies of water, other visible physical and cultural features, and the legal boundaries shown on Census Bureau maps.

<sup>15</sup>Under the Recovery Act, up to \$350 million was available pursuant to the Broadband Data Improvement Act and for the purpose of developing and maintaining a nationwide map featuring the availability of broadband service. NTIA solicited grant applications from states for projects designed to collect data, develop state maps, conduct state planning, and deliver data to NTIA for the national broadband map. Grant applicants must complete the data collection by March 1, 2010. 74 Fed. Reg. 32545 (2009).

<sup>16</sup>FCC collects information semiannually from service providers about broadband Internet access connections to households and businesses through its Form 477.

<sup>17</sup>GAO, *Telecommunications: Broadband Deployment Plan Should Include Performance Goals and Measures to Guide Federal Investment*, [GAO-09-494](#) (Washington, D.C.: May 12, 2009).

---

NTIA and RUS Have Taken Steps to Address Challenges in Evaluating Applications and Awarding Funds

**Two-step evaluation process.** To address the scheduling and staffing challenges, NTIA and RUS are conserving scarce staff resources by screening applications and therefore reducing the number of applications subject to a comprehensive review by using a two-step process. In the first step, the agencies will evaluate and score applications based on the criteria delineated in the NOFA, such as project purpose and project viability. During this step, the agencies will select which applications proceed to the second step. After the first step is complete and the pool of potential projects is reduced, the agencies intend to conduct the second step—due diligence, which involves requesting extra documentation to confirm and verify information contained in an application. Since not all applications will proceed to the second step, not all applicants will be required to submit extra documentation. This will reduce the amount of information the agencies must review. In the NOFA, the agencies indicated that using this two-step process balances the burdens on applicants with the needs of the agencies to efficiently evaluate applications.

**Use of nongovernmental personnel.** Both NTIA and RUS are using nongovernmental personnel to address anticipated staffing needs associated with evaluating applications and awarding funds. To evaluate applications, NTIA is using a review system, in which three unpaid, independent expert reviewers examine and score applications.<sup>18</sup> To be considered an expert reviewer, the individual must have significant expertise and experience in at least one of the following areas: (1) the design, funding, construction, and operation of broadband networks or public computer centers; (2) broadband-related outreach, training, or education; or (3) innovative programs to increase the demand for broadband services. In addition, NTIA will use contractors in an administrative role to assist the expert reviewers. NTIA officials said that the agency issued three guides to be used by the reviewers for each of the three project categories—broadband infrastructure, public computer centers, and sustainable adoption—and conducted more than 15 Web-based training seminars. RUS will use contractors to evaluate and score applications. Both NTIA and RUS said that they are confident that an expert would be able to draw conclusions on the technical feasibility or the financial sustainability of a project based on information provided in the application. Regardless of who reviews the application, the final

---

<sup>18</sup>NTIA released a Call for Reviewers on the [www.broadbandusa.gov](http://www.broadbandusa.gov) web site to solicit unpaid volunteer peer reviewers.

---

selection and funding decisions are to be formally made by a selecting official in each agency.

**Publish applicant information.** To address the challenge of incomplete data on broadband service, NTIA and RUS require applicants to identify and attest to the service availability—either unserved or underserved—in their proposed service area. In order to verify these self-attestations, NTIA and RUS will post a public notice identifying the proposed funded service area of each broadband infrastructure applicant. The agencies intend to allow existing service providers in the proposed service area to question an applicant’s characterization of broadband service in that area. According to the NOFA, existing service providers will have 30 days to submit information regarding their service offerings.<sup>19</sup> If this information raises eligibility issues, RUS may send field staff to the proposed service area to conduct a market survey. RUS will resolve eligibility issues by determining the actual availability of broadband service in the proposed service area. Currently, NTIA has no procedures in place for resolving these types of issues, but said that it is developing these procedures using its contractors and other means.

---

## The Agencies’ Remaining Schedule May Pose Risks to the Review of Applications

During the first funding round, the compressed schedule posed a challenge for both applicants and the agencies. As mentioned previously, NTIA and RUS initially proposed to utilize three separate funding rounds during the 18-month window to award the entire \$7.2 billion. As such, each funding round would operate under a compressed schedule. Eight of the 15 industry stakeholders with whom we spoke expressed concern that a small entity would have difficulties completing an application in a timely manner. Specifically, some stakeholders said that small entities were having trouble locating the professional staff needed to assemble an application. The compressed schedule also posed challenges for the agencies. During the first funding round, the agencies missed several milestones. For example, RUS originally intended to select a contractor on June 12, 2009, and NTIA intended to select a contractor on June 30, 2009; however, both agencies missed their target dates, with RUS selecting its contractor on July 31, 2009, and NTIA selecting its contractor on August 3, 2009. Also, the agencies intended to begin awarding the first-round grants and loans on November 7, 2009, but the agencies now expect to begin awarding funds in December 2009.

---

<sup>19</sup>74 Fed. Reg. 33104, 33122.

---

Because of the compressed schedule within the individual funding rounds, NTIA and RUS have less time to review applications than similar grant and loan programs. In the first funding round, the agencies have approximately 2 months to review 2,200 applications. With other telecommunications grant and loan programs, agencies have taken longer to evaluate applications and award funds. For example, from fiscal year 2005 through 2008, RUS took from 4 to 7 months to receive and review an average of 26 applications per year for its Broadband Access Loan Program. NTIA officials acknowledged that the BTOP timeline is compressed compared with the timeline for the Public Telecommunications Facilities Program, which operated on a year-long grant award cycle. For the PSIC program, NTIA and DHS closed the application period in August 2007 and completed application reviews in February 2008, a period of roughly 6 months. In California, the Public Utilities Commission took 4 to 6 months to review 54 applications and award funds for 25 projects in the first year of the California Advanced Services Fund, a \$100 million broadband program.

Based on their experience with the first funding round, on November 10, 2009, NTIA and RUS reported that they will reduce the number of funding rounds from three to two. In the second and final funding round, the agencies anticipate extending the window for entities to submit applications. This change will help mitigate the challenges the compressed schedule posed for applicants in the first funding round. However, it is unclear whether the agencies will similarly extend the amount of time to review the applications and thereby bring the review time more in line with the experiences of other broadband grant and loan programs. NTIA officials indicated that the agency would like to award all \$4.7 billion by summer 2010, to promote the stimulative effect of the BTOP program. RUS officials indicated that the agency will award all \$2.5 billion by September 30, 2010, as required by the Recovery Act, indicating a potentially longer review process.

Depending on the time frames NTIA and RUS select, the risks for both applicants and the agencies may persist with two funding rounds. In particular, these risks include:

- **Limited opportunity for “lessons learned.”** Based on the current schedule, NTIA and RUS will have limited time between the completion of the first funding round and the beginning of the second funding round. NTIA and RUS recently announced that the agencies will begin awarding funds for the first funding round in December 2009. On November 10, 2009, the agencies sought public comment on approaches to improve the

---

application experience and strengthen BTOP and BIP; the public has 14 days to respond with comments following publication of the notice in the Federal Register. Because of this compressed time frame, applicants might not have sufficient time to analyze their experiences with the first funding round to provide constructive comments to the agencies. Further, the agencies might not have sufficient time to analyze the outcomes of the first round and the comments from potential applicants. As such, a compressed schedule limits the opportunity to apply lessons learned from the first funding round to improve the second round.

- **Compressed schedule to review applications.** Due to the complex nature of many projects, NTIA and RUS need adequate time to evaluate the wide range of applications and verify the information contained in the applications. NTIA is soliciting applications for infrastructure, public computer center, and sustainable adoption projects. Therefore, NTIA will receive applications containing information responding to different criteria and it will evaluate the applications with different standards. Even among infrastructure applications, a wide variability exists in the estimates, projections, and performance measures considered reasonable for a project. For example, in RUS's Broadband Access Loan Program, approved broadband loans for the highest-cost projects, on a cost-per-subscriber basis, ranged as much as 15, 18, and 70 times as high as the lowest-cost project, even among projects using the same technology to deploy broadband. Previous experience with broadband loan programs also reveals the challenges inherent in evaluating an application based on estimates provided by the applicant. For example, as of fiscal year 2008, 55 percent of RUS broadband loan borrowers were meeting their forecasted number of subscribers. Nine of the 15 stakeholders that we interviewed expressed concerns that NTIA and RUS lack staffing expertise to determine whether project proposals will generate sufficient numbers of subscribers and revenues to cover operating costs and be sustainable on a long-term basis.
- **Continued lack of broadband data and plan.** According to NTIA, national broadband data provide critical information for grant making. Additionally, some stakeholders, including members of Congress, have expressed concern about awarding broadband grants and loans without a national broadband plan. Under the Recovery Act, up to \$350 million was available pursuant to the Broadband Data Improvement Act to fund the development and maintenance of a nationwide broadband map for use by policymakers and consumers.<sup>20</sup> NTIA solicited grant applications to help

---

<sup>20</sup>Pub. L. No. 111-5, div. A, tit. II, 123 Stat. at 128 (2009).

---

develop the national broadband map, and grant applicants must complete their data collection by March 1, 2010. Additionally, based on provisions in the Recovery Act, FCC must deliver to Congress a national broadband plan by February 17, 2010.<sup>21</sup> To prepare the plan, FCC sought comment on a variety of topics, including the most effective and efficient ways to ensure broadband service for all Americans.<sup>22</sup> By operating on a compressed schedule, NTIA and RUS will complete the first funding round before the agencies have the data needed to target funds to unserved and underserved areas and before FCC completes the national broadband plan. Depending on the time frames the agencies select for the second funding round, they may again review applications without the benefit of national broadband data and a national broadband plan.

---

## NTIA and RUS Face Staffing Challenges in Overseeing Funded Projects, and Despite Steps Taken, Several Risks to Project Oversight Remain

NTIA and RUS will need to oversee a far greater number of projects than in the past, including projects with large budgets and diverse purposes and locations. In doing so, the agencies face the challenge of monitoring these projects with far fewer staff per project than were available in similar grant and loan programs they have managed. To address this challenge, NTIA and RUS procured contractors to assist with oversight activities and will require funding recipients to complete quarterly reports and, in some cases, obtain annual audits. Despite the steps taken, several risks to adequate oversight remain. These risks include insufficient resources to actively monitor funded projects beyond fiscal year 2010 and a lack of updated performance goals for NTIA and RUS. In addition, NTIA has yet to define annual audit requirements for commercial entities funded under BTOP.

---

<sup>21</sup>Pub. L. No. 111-5, div. B, tit. VI, § 6001(k).

<sup>22</sup>Federal Communications Commission, *A National Broadband Plan for Our Future*, Notice of Inquiry, 24 FCC Rcd 4342 (2009).

---

## A Large Number of Projects to Oversee Creates Staffing Challenges

NTIA and RUS will need to oversee a far greater number of projects than in the past. Although the exact number of funded projects is unknown, both agencies have estimated for planning purposes that they could fund as many as 1,000 projects each—or 2,000 projects in total—before September 30, 2010.<sup>23</sup> In comparison, from fiscal year 1994 through fiscal year 2004, NTIA awarded a total of 610 grants through its Technology Opportunities Program—or an average of 55 grants per year. From fiscal year 2005 through fiscal year 2008, RUS awarded a total of 84 Community Connect grants, averaging 21 grants per year; and through its Broadband Access Loan Program, RUS approved 92 loans from fiscal year 2003 through fiscal year 2008, or about 15 loans per year.

In addition to overseeing a large number of projects, the scale and diversity of BTOP- and BIP-funded projects are likely to be much greater than projects funded under the agencies' prior grant programs. Based on NTIA's estimated funding authority of \$4.35 billion for BTOP grants and RUS's estimated potential total funding of approximately \$9 billion for BIP grants, loans, and loan-grant combinations, if the agencies fund 1,000 projects each, as they have estimated, the average funded amount for BTOP and BIP projects would be about \$4.35 million and \$9 million, respectively. In comparison, from fiscal year 1994 to fiscal year 2004, NTIA's average grant award for its Technology Opportunities Program was about \$382,000, and from fiscal year 2005 to fiscal year 2008, RUS awarded, on average, about \$521,000 per Community Connect grant award. Further, NTIA and RUS expect to fund several different types of projects that will be dispersed nationwide, with at least one project in every state.<sup>24</sup> NTIA is funding several different types of broadband projects, including last- and middle-mile broadband infrastructure projects for unserved and underserved areas, and public computer center and sustainable broadband adoption projects. BIP can fund last- and middle-mile infrastructure projects in rural areas across the country.

---

<sup>23</sup>Based on the average request in the first funding round, NTIA and RUS may fund fewer projects than they originally estimated, but those funded projects may be of higher cost. For example, according to NTIA and RUS data, the average funding request for infrastructure projects in the first round was more than \$20 million for BTOP, more than \$12 million for BIP, and more than \$15 million for projects requesting funding from either agency. If NTIA and RUS fund projects at the average requested funding amount—and based on the total available funding for the different types of projects—NTIA and RUS would award about 930 projects in total.

<sup>24</sup>As required in the Recovery Act, NTIA shall, to the extent practical, award not less than one grant in each state. American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, div. B, § 6001 (h) (1).

---

Because of the volume of expected projects, NTIA and RUS plan to oversee and monitor BTOP- and BIP-funded projects with fewer staff resources per project than the agencies used in similar grant and loan programs (see table 2). In its fiscal year 2010 budget request to Congress, NTIA estimated that it would need a total of 70 full-time-equivalent staff for fiscal year 2010 to manage BTOP, which includes overseeing funded projects. After refining its spending and budget plans, NTIA said that it will need 41 full-time-equivalent staff for BTOP; at the time of our review, it had filled 33 of these positions. Based on NTIA's estimate of funding 1,000 projects and its estimated 41 full-time-equivalent staff needed, NTIA will have about 1 full-time-equivalent staff available for every 24 projects. Under the Technology Opportunities Program, NTIA had an average of 1 full-time-equivalent staff in any capacity for every three projects funded annually from fiscal year 1994 through fiscal year 2004.<sup>25</sup> NTIA reported that it is continually assessing its resources and is considering additional staff hires. Similarly, RUS reported that it will need 47 full-time-equivalent staff to administer all aspects of BIP, and the majority of these positions were to be filled by the end of September 2009. These 47 staff members are in addition to the 114 full-time-equivalent staff in the Rural Development Telecommunications program which support four existing loan or grant programs, including the Telecommunications Infrastructure loan program, the Distance Learning and Telemedicine loan and grant program, the Broadband Access Loan Program, and Community Connect grant program. If RUS funds a total of 1,000 projects, as estimated, based on the 47 staff assigned to BIP, it would have 1 staff of any capacity available for every 21 funded projects. Under its Broadband Access Loan Program, RUS had more than 1 full-time-equivalent staff for every loan made annually from fiscal year 2003 through fiscal year 2008. RUS reported that it could use other staff in the Rural Development Telecommunications program to address BIP staffing needs, if necessary.

---

<sup>25</sup>In our review, we did not evaluate whether the per-project staffing levels available to NTIA for its Technology Opportunities Program or to RUS for its Broadband Access Loan program were sufficient or appropriate for those programs.

**Table 2: Estimated NTIA and RUS Full-Time-Equivalent Staff for Grant and Loan Programs**

Program	Average number of projects funded per year	Average full-time-equivalent staff per year	Ratio of funded projects to full-time-equivalent staff
NTIA BTOP (FY 2010) (NTIA estimate)	1,000 in FY 2010	41	24 to 1
NTIA Technology Opportunities Program <sup>a</sup>	55	16	3 to 1
RUS BIP (FY 2010) (RUS estimate)	1,000 in FY 2010	47	21 to 1
RUS Broadband Access Loan Program <sup>b</sup>	15	17	.9 to 1

Source: GAO analysis of NTIA and RUS data.

Note: In our review, we did not evaluate whether the per-project staffing levels available to NTIA for its Technology Opportunities Program or to RUS for its Broadband Access Loan Program were appropriate for those programs.

<sup>a</sup>NTIA Technology Opportunities Program data are for fiscal years 1994 through 2004.

<sup>b</sup>RUS Broadband Access Loan Program data are for fiscal years 2003 through 2008. RUS Community Connect Grant program data are not included here because RUS reported that it does not have full-time staff dedicated to this program.

## NTIA and RUS Are Addressing Project Oversight Challenges by Procuring Contractor Services and Requiring Funding Recipient Reports and Audits

**Contractor services.** NTIA and RUS will use contractors to help monitor and provide technical assistance for BTOP and BIP projects, in addition to evaluating applications as discussed earlier. On August 3, 2009, NTIA procured contractor services to assist in a range of tasks, including tracking and summarizing grantees' performance, developing grant-monitoring guidance, and assisting with site visits and responses to audits of BTOP-funded projects. Through its statement of work for contracted services, NTIA estimated that its contractor will provide about 35,000 hours of support for grants administration and postaward support in 2010 and about 55,000 hours of support for additional optional years.<sup>26</sup> On July 31, 2009, RUS awarded a contract to a separate contractor for a wide range of program management activities for BIP. RUS's contractor will be responsible for a number of grant-monitoring activities, including developing a workflow system to track grants and loans; assisting RUS in developing project monitoring guidance and policies; and assisting in site visits to monitor projects and guard against waste, fraud, and abuse.

<sup>26</sup>Based on an estimated 2,080 hours for a single staff year, the contracted hours correspond to 17 full-time-equivalent staff for grants administration and postaward duties in 2010 and about 26 full-time-equivalent staff for these duties in additional option years.

---

In addition to its contractor, RUS intends to use existing field staff for program oversight. RUS reported that it currently has 30 general field representatives in the telecommunications program and 31 field accountants in USDA's Rural Development mission area that may be available to monitor broadband programs. RUS field accountants conduct financial audits primarily within its telecommunications and electric utility loan programs. Two of the 30 general field representatives are dedicated to RUS's broadband grant and loan programs, and RUS reported that the other general field representatives would be available to assist with BIP oversight if needed. Of the 47 full-time-equivalent staff that RUS has estimated needing to implement BIP, it plans to hire a total of 10 general field representatives and 10 field accountants on a temporary basis. In addition, RUS officials told us that Rural Development has an estimated 5,000 field staff available across the country that support a variety of Rural Development loan and grant programs. Although these individuals do not have specific experience with telecommunications or broadband projects, according to RUS, this staff has experience supporting RUS's business and community development loan programs, and this workforce could be used for project monitoring activities if there was an acute need.

**Recipient reports and audits.** To help address the challenge of monitoring a large number of diverse projects, NTIA and RUS have developed program-specific reporting requirements that are intended to provide transparency on the progress of funded projects. Based on our review of the requirements, if NTIA and RUS have sufficient capacity to review and verify that information provided by funding recipients is accurate and reliable, these requirements could provide the agencies with useful information to help them monitor projects. The following reporting requirements apply to BTOP and BIP funding recipients:

- **General Recovery Act reports.** Section 1512 of the Recovery Act and related OMB guidance requires all funding recipients to report quarterly to a centralized reporting system on, among other things, the amount of funding received or obligated, the project completion status, and an estimate of the number of jobs created or retained through the funded project.<sup>27</sup> Under OMB guidance, awarding agencies are responsible for ensuring that funding recipients submit reports to a central, online portal no later than 10 calendar days after each calendar quarter in which the

---

<sup>27</sup>Pub. L. No. 111-5, div. A, tit. XV, § 1512(c),(d) (2009).

---

recipient receives assistance.<sup>28</sup> Awarding agencies must also perform their own data quality review and request further information or corrections by funding recipients, if necessary. No later than 30 days following the end of the quarter, OMB requires that detailed recipient reports are made available to the public on the Recovery.gov Web site.

- **BTOP-specific reports.** The Recovery Act requires BTOP funding recipients to report quarterly on their use of funds and NTIA to make these reports available to the public.<sup>29</sup> NTIA also requires that funding recipients report quarterly on their broadband equipment purchases and progress made in achieving goals, objectives, and milestones identified in the recipient's application, including whether the recipient is on schedule to substantially complete its project no later than two years after the award and complete its project no later than 3 years after the award. Recipients of funding for last- and middle-mile infrastructure projects must report on a number of metrics, including the number of households and businesses receiving new or improved access to broadband as a result of the project, the advertised and averaged broadband speeds and the price of the broadband services provided, and the total and peak utilization of network access links.<sup>30</sup>
- **BIP-specific reports.** RUS requires BIP funding recipients to submit quarterly balance sheets, income and cash-flow statements, and the number of customers taking broadband service on a per community basis, among other information. In addition, RUS requires funding recipients to specifically state in the applicable quarter when they have received 67 percent of the award funds, which is RUS's measure for "substantially complete." BIP funding recipients must also report annually on the number of households; businesses; and educational, library, health care, and public safety providers subscribing to new or improved access to broadband. RUS officials reported that it plans to use quarterly reports to identify specific projects for on-site monitoring and to determine when

---

<sup>28</sup>See OMB memorandum, M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009).

<sup>29</sup>Pub. L. No. 111-5, div. B, tit. VI, § 6001(i)(1) (2009).

<sup>30</sup>In addition, BTOP recipients developing sustainable adoption and public computer centers must report a variety of project-specific information, such as the increase in the number of households, businesses, and community anchor institutions subscribing to broadband service and the primary uses of the public computer center. 74 Fed. Reg. 33104, 33125.

---

that monitoring should take place.

NTIA and RUS also require some funding recipients to obtain annual, independent audits of their projects. The primary tool for monitoring federal awards through annual audits is the Single Audit report required under the Single Audit Act, as amended.<sup>31</sup> We recently reported that the Single Audit is a valuable source of information on internal control and compliance for use in a management's risk assessment and monitoring processes—and with some adjustments, we said, the Single Audit process could be improved for Recovery Act oversight.<sup>32</sup> The Single Audit report is prepared in accordance with OMB's implementing guidance in OMB Circular No. A-133.<sup>33</sup> OMB's Recovery Act guidance directed federal agencies to review Single Audit reports and provide a synopsis of audit findings to OMB relating to obligations and expenditures of Recovery Act funding. All states, local governments, and nonprofit organizations that expend over \$500,000 in federal awards per year must obtain an annual Single Audit or, in some cases, a program-specific audit (referred to collectively in this report as a Single Audit). Commercial (for profit) entities awarded federal funding of any amount are not covered by the Single Audit Act, and states, local governments, and nonprofit

---

<sup>31</sup>31 U.S.C. ch. 75. A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs. The audit report also includes the auditor's schedule of findings and questioned costs, and the auditee's corrective action plans and a summary of prior audit findings that includes planned and completed corrective actions. Auditors are also required to report on significant deficiencies in internal control and on compliance associated with the audit of the financial statements. Entities that expend federal awards under only one program may elect to have a program-specific audit in lieu of the Single Audit.

<sup>32</sup>See GAO, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, GAO-09-580 (Washington, D.C.: Apr. 23, 2009), and *Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses*, GAO-09-831T (Washington, D.C.: July 8, 2009).

<sup>33</sup>OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, provides guidance to auditors on selecting federal programs for audit and the related internal control and compliance audit procedures to be performed. Under OMB Recovery Act guidance, funding recipients subject to an annual Single Audit must submit their financial reporting packages, which include independent Single Audit reports, within 9 months after the end of the recipient's fiscal year and the Single Audit reports are to be publicly available on the Internet.

organizations expending less than \$500,000 in federal awards per year are also not required to obtain an annual Single Audit under the Single Audit Act.<sup>34</sup> RUS, however, requires all commercial recipients of BIP funds to obtain an annual, independent audit of their financial statements under requirements that also apply to RUS's existing broadband grant and loan programs.<sup>35</sup> However, RUS's existing audit requirements are different from the Single Audit requirements.<sup>36</sup> NTIA has yet to determine what annual audit requirements will apply to commercial grantees; NTIA reported that it intends to develop program-specific audit requirements and guidelines that will apply to commercial recipients that receive broadband grants and plans to have those guidelines in place by December 2009. See table 3 for a description of BTOP and BIP audit requirements.

**Table 3: Annual Audit Requirements for BTOP and BIP Funding Recipients**

Amount of federal awards expended annually	Type of entity	BTOP annual audit requirements	BIP annual audit requirements
More than \$500,000	Nonprofit organizations, state and local government, or tribal authority	Single Audit, OMB Circular A-133	Single Audit, OMB Circular A-133
	Commercial organizations	To be determined	Financial statement audit, 7 CFR 1773.3
Less than \$500,000	Nonprofit organizations, state and local government, or tribal authority	To be determined	None
	Commercial organizations	To be determined	Financial statement audit, 7 CFR 1773.3

Source: GAO analysis of NTIA and RUS data.

## Several Risks to Project Oversight Remain

**Lack of sufficient resources beyond fiscal year 2010.** Both NTIA and RUS face the risk of having insufficient resources to actively monitor BTOP- and BIP-funded projects after September 30, 2010, which could result in insufficient oversight of projects not yet completed by that date.

<sup>34</sup>Under DOC regulations, for-profit hospitals and commercial and other organizations not subject to the Single Audit Act may be subject to an audit requirement to the extent one is included in the federal award document. *See* 15 C.F.R. § 14.26.

<sup>35</sup>7 C.F.R. § 1773.3. All RUS commercial grantees must obtain an annual audit of their financial statements by an independent, certified public accountant meeting the standards set by RUS.

<sup>36</sup>For example, RUS audit requirements do not require an audit and opinions on the fair presentation of the Schedule of Expenditures of Federal Awards.

---

As required by the Recovery Act, NTIA and RUS must ensure that all awards are made before the end of fiscal year 2010. Under the current timeline, the agencies do not anticipate completing the award of funds until that date. Funded projects must be substantially complete no later than 2 years, and complete no later than 3 years following the date of issuance of the award. Yet, the Recovery Act provides funding through September 30, 2010. The DOC Inspector General has expressed concerns that “without sufficient funding for a BTOP program office, funded projects that are still underway at September 30, 2010, will no longer be actively managed, monitored, and closed.”<sup>37</sup> NTIA officials told us that NTIA has consulted with OMB about seeking BTOP funding after September 30, 2010, to allow it to close grants. RUS officials reported that given the large increase in its project portfolio from BIP, RUS’s capacity to actively monitor these projects after its BIP funding expires may be stressed. Without sufficient resources to actively monitor and close BTOP grants and BIP grants and loans by the required completion dates, NTIA and RUS may be unable to ensure that all recipients have expended their funding and completed projects as required.

**Lack of updated performance goals.** The Government Performance and Results Act of 1993 (GPRA) directs federal agencies to establish objective, quantifiable, and measurable goals within annual performance plans.<sup>38</sup> GPRA stresses the importance of having clearly stated objectives, strategic and performance plans, goals, performance targets, and measures in order to improve a program’s effectiveness, accountability, and service delivery. Specifically, performance measures allow an agency to track its progress in achieving intended results. Performance measures also can help inform management decisions about such issues as the need to redirect resources or shift priorities.

NTIA has established preliminary program performance measures for BTOP, including job creation, increasing broadband access, stimulation of private sector investment, and spurring broadband demand. However, NTIA has not established quantitative, outcome-based goals for those measures. NTIA officials reported that the agency lacks sufficient data to

---

<sup>37</sup>Department of Commerce, *Office of Inspector General Recovery Act Flash Report: 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* (Washington, D.C., March 2009).

<sup>38</sup>31 U.S.C. § 1115.

---

develop such goals and is using applications for the first round of funding to gather data, such as the expected number of households that will receive new or improved broadband service. According to NTIA officials, data collected from applications for the first funding round could be used to develop program goals for future funding rounds.

RUS has established quantifiable program goals for its existing broadband grant and loan programs, including a measure for the number of subscribers receiving new or improved broadband service as a result of the programs. However, according to USDA's fiscal year 2010 annual performance plan, RUS has not updated its goals to reflect the large increase in funding it received for broadband programs under the Recovery Act. In addition, RUS officials told us that the agency's existing measure for the number of subscribers receiving new or improved broadband access as a result of its programs is based on the estimates provided by RUS borrowers in their applications. Consequently, these program goals do not reflect actual program outcomes, but rather the estimates of applicants prior to the execution of their funded projects.

**Undefined audit requirements for commercial recipients.** At the time of our review, NTIA did not have audit requirements or guidelines in place for annual audits of commercial entities receiving BTOP grants. NTIA officials reported that because BTOP is the first program managed by NTIA to make grants to commercial entities, the agency does not have existing audit guidelines for commercial entities. However, NTIA reported that it intends to develop program-specific audit requirements and guidelines that will apply to commercial recipients that receive broadband grants, and it plans to have those guidelines in place by December 2009. Although award recipients that do not expend more than \$500,000 per year in federal awards may not be subject to an annual audit requirement, NTIA officials reported that they do not yet know the extent to which they will make awards in this range. In the absence of clear audit requirements and guidelines for commercial recipients of BTOP funding, NTIA will lack an important oversight tool to identify risks and monitor BTOP grant expenditures.

---

## Conclusions

The Recovery Act established an ambitious schedule for NTIA and RUS to implement the broadband provisions. In particular, the agencies have 18 months to establish their respective programs, solicit and evaluate applications, and award funds. Compounding the challenge, NTIA must establish the BTOP program from scratch, and the agencies face an unprecedented volume of funds and anticipated number of applications.

---

The agencies initially indicated that they would award Recovery Act funds in three rounds; but, on November 10, 2009, the agencies announced that they would consolidate the second and third funding rounds and award the remaining funds in a single, second funding round. However, the schedule of the new, second funding round is unclear. Based on the experience in the first funding round and their legacy grant and loan programs, the agencies might have little time to thoroughly review applications to ensure that funded projects meet the objectives of the Recovery Act. Without adequate time to gather lessons learned from the first funding round and to thoroughly review applications, the agencies risk funding projects that might not meet the objectives of the Recovery Act.

In addition to reviewing an unprecedented number of applications, NTIA and RUS must oversee funded projects to ensure the projects meet the objectives of the Recovery Act and to guard against waste, fraud, and abuse. All funded projects must be complete no later than 3 years following the award of funds; therefore, some funded projects might not be complete until September 30, 2013. However, the Recovery Act only provided funding through September 30, 2010. Without adequate resources beyond fiscal year 2010, the agencies may not be able to ensure that all projects are completed as intended and to guard against waste, fraud, and abuse.

Due to the compressed schedule and limited staff resources, NTIA and RUS have had limited time to develop outcome-based performance goals for their programs. However, the agencies use of sequential funding rounds provides them with an opportunity to collect important data from funding applicants early in the program that could be used to develop meaningful performance goals. For example, because applicants must provide estimates for and reports on the number of households and other entities that will receive new or improved broadband service as a result of the projects, NTIA and RUS should have a good basis to establish program goals for BTOP and BIP for the second funding round and to evaluate the effectiveness of federal spending for broadband deployment. Without such goals, future efforts to expand broadband deployment and adoption may lack important information on the types of projects that were most effective at meeting subscriber goals and other targets, thereby limiting the ability to apply federal resources to programs with the best likelihood of success.

Finally, although NTIA and RUS have established a range of reporting requirements for funding recipients, NTIA has yet to define what annual

---

auditing requirements, if any, will apply to commercial funding recipients under BTOP. Although we have previously reported that the Single Audit Act's annual audit requirement is not a perfect tool to oversee Recovery Act funding, the absence of an annual audit requirement for commercial entities would hamper NTIA's oversight of its Recovery Act funding. For example, NTIA would lack independent auditors' assurances that its funding recipients have important internal controls in place to fully track expenditures and guard against fraud, waste, and abuse.

---

## Recommendations for Executive Action

We recommend that the Secretaries of Commerce and Agriculture take the following three actions:

1. To reduce the risk of awarding funds to projects that may not be sustainable or do not meet the priorities of the Recovery Act
  - delay the issuance of the second NOFA in order to provide time to analyze application and evaluation processes and apply lessons learned from the first funding round, and
  - provide review time in the second funding round comparable with other broadband grant and loan programs.
2. To ensure that all funded projects receive sufficient oversight and technical support beyond September 30, 2010, and through their required completion dates, develop contingency plans to ensure sufficient resources for oversight of funded projects beyond fiscal year 2010.
3. To ensure that management has appropriate tools in place to evaluate the effectiveness of BTOP and BIP and to apply limited resources to achieve desired program outcomes, use information provided by program applicants in the first funding round to establish quantifiable, outcome-based performance goals by which to measure program effectiveness.

We also recommend that the Secretary of Commerce take the following step:

To ensure that NTIA has sufficient insight into the expenditure of federal funding by commercial entities that may receive BTOP grants, determine whether commercial entities should be subject to an annual audit requirement.

---

## Agency Comments and Our Evaluation

We provided a draft of this report to the departments of Commerce and Agriculture, to OMB, and to FCC for review and comment. In the draft report, we recommended that NTIA and RUS combine the second and third planned funding rounds into one extended funding round. The departments of Commerce and Agriculture agreed with our recommendations; FCC and OMB did not comment on our recommendations. Subsequently, on November 10, 2009, NTIA and RUS announced that they would award the remaining program funds in one round, instead of two. Therefore, we removed this recommendation from the final report. In its comments, NTIA noted that the agency will take all appropriate additional steps to apply the lessons learned and address GAO's concerns, including utilizing experiences from the first round of funding to improve the program, establishing outcome-based performance measures, and implementing reasonable audit requirements for commercial grantees. NTIA's full comments appear in appendix III. For the recommendations directed to RUS, RUS described steps it is exploring that are consistent with our first recommendation. RUS agreed with the second and third recommendations. FCC, NTIA, OMB, and RUS provided technical comments that we incorporated, as appropriate.

In its comments, RUS noted that it has extensive experience awarding and managing grants and loans for rural America, including grants and loans for electric and telecommunications projects. RUS noted that by focusing on budget authority, our report does not reflect the true scope of its telecommunications programs. In particular, RUS noted that the Broadband Access Loan Program operated with a program level of \$300 to \$400 million. We chose to report the budget authority for the various programs to provide comparability between the grant and loan programs operated by NTIA and RUS. We acknowledge that RUS's legacy programs operate at the program level exceeding the budget authority; however, the BIP program will also operate at a program level exceeding the \$2.5 billion budget authority. RUS also noted that our report does not reflect the full scale of its existing staffing levels. In particular, RUS noted that it has 114 full-time staff dedicated solely to telecommunications programs and 30 General Field Representatives who can assist with oversight of the BIP program. In our report, we note the number of staff dedicated to RUS's broadband programs, and we also note that RUS has additional staff, including 30 General Field Representatives, that the agency can draw upon for the BIP program. RUS's full comments appear in appendix II.

---

We are sending copies of this report to the Secretary of Agriculture, the Secretary of Commerce, the Director of the Office of Management and Budget, the Chairman of the Federal Communications Commission, and interested congressional committees. The report also is available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact me at (202) 512-2834 or [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read 'M. Goldstein', with a long horizontal flourish extending to the right.

Mark L. Goldstein  
Director, Physical Infrastructure

---

# Appendix I: Stakeholder Organizations or Individuals Interviewed

---

We conducted interviews with the following individuals or representatives from the following organizations:

American Cable Association

Alliance for Public Technology

Robert C. Atkinson, Columbia Institute for Tele-Information

California Public Utilities Commission

Consumer Federation of America

Communications Workers of America

Dr. William Lehr, Massachusetts Institute of Technology

National Association of Regulatory Utility Commissioners

National Association of Telecommunications Officers and Advisors

National Cable & Telecommunications Association

National Telecommunications Cooperative Association

Dr. Raul Katz, Columbia Institute for Tele-Information

Satellite Industry Association

United States Telecom Association

Wireless Internet Service Providers Association

# Appendix II: Comments from the Department of Agriculture



United States Department of Agriculture  
Rural Development  
Office of the Under Secretary

Mark L. Goldstein  
Director, Physical Infrastructure Issues  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

OCT 30 2009

Dear Mr. Goldstein:

Thank you for providing the United States Department of Agriculture (USDA) Rural Development and the Rural Utilities Service (RUS) your Government Accountability Office (GAO) draft report entitled, "Recovery Act: Agencies Are Addressing Broadband Program Challenges, but Actions Are Needed to Improve Implementation" Report Number GAO-10-80. For your consideration, Rural Development offers the following comments to the draft report and requests that a copy of these comments be included in your final report. Rural Development's response is limited to a discussion primarily of the Broadband Initiatives Program (BIP) administered by RUS.

We commend GAO for providing this Report and recommendations and most importantly, for sharing in our mutual interest of making the BIP program a success. USDA considers this unprecedented \$2.5 billion investment in rural broadband infrastructure an integral part of the economic recovery and future of rural America. Broadband erodes the barriers of time and distance that traditionally have hindered rural communities from enjoying the access to health care, educational opportunities and financial markets. Today, broadband is a key foundation of our economy and necessary for rural businesses to survive and remain competitive. USDA intends to use this \$2.5 billion in budget authority to deliver up to \$7 to \$9 billion in loans, grants and loan grant combinations, potentially nearly tripling the taxpayer's investment.

To underscore the importance of broadband in renewing the rural economy, Secretary Vilsack directed the USDA's Economic Research Service (ERS) to examine the economic effects of having broadband access in rural communities. In August, ERS published a report, entitled "Broadband Internet's Value for Rural America," which concluded that employment growth was higher and non-farm private earnings greater in counties with a longer history of broadband availability.

The report also cited certain key benefits of broadband access in rural communities. Such benefits include access to online course offerings for students in remote areas and the access to telemedicine and telehealth services which often reduce transportation costs for patients living in rural areas in need of urgent care. Agricultural workers and farm based businesses are also more reliant on internet access to conduct sales transactions, marketing and advertising, monitor real

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

**Appendix II: Comments from the Department of Agriculture**

Mark L. Goldstein

2

time changes in the commodities markets and track global trends that impact US crop prices, in order to stay in business and compete in a global economy.

Since 1935, beginning with the Rural Electrification Administration, we have been a premier lender for rural infrastructure investment. Our current infrastructure loan portfolio exceeds \$54 billion and includes financing for water and wastewater, telecommunications, broadband, electric, and renewable energy infrastructure projects.

We are now tasked with applying the technical skills and historical knowledge we have amassed in issuing financing for electricity, telecommunications and water over the past 75 years to obligate the funds over the next year to construct next generation broadband facilities in rural areas to serve as many customers as possible with the funds provided. Our goal is to recreate the successes we have achieved in financing the electric grid for rural utilities toward building new broadband networks in the most rural and remote regions of the country.

Equally important, RUS is part of the Rural Development mission area which delivers over 40 major loan and grant programs providing financial resources for rural economic development. Our programs build renewable energy facilities, finance businesses and cooperatives, build affordable single and multi-family housing, and finance essential community facilities such as town halls, tribal colleges, fire stations and critical access hospitals. Programs are administered by over 6,000 Rural Development staff (which includes RUS) with over 470 Field offices throughout rural America. Field staff are well-trained rural developers who can work across program lines. The Secretary has placed a high priority on all of Recovery Act programs with particular emphasis on BIP. Recently, Rural Development held a National training and policy conference with hundreds of Rural Development Field staff and educated them about BIP. To that end, our 47 State Directors have all committed to make local Rural Development staff available to BIP. Also, Rural Development staff from across the country attended the 10 joint BIP and Broadband Technology Opportunities Program (BTOP) Training and Workshops and our State Directors were integral to many of these events.

Rural Development is uniquely positioned with staff in headquarters and the field to implement all Recovery Act programs. In fact, Rural Development has obligated funds in all other Recovery Act programs. These are some highlights of our Recovery Act successes to date:

- Almost 80,000 Recovery Act homeownership loans have been obligated totaling nearly \$10 billion.
- Over 480 rural communities have received Water and Environmental Program loans and grants to bring clean, safe and affordable drinking water to rural families.
- Over 800 Community program loans and grants have been obligated to bring essential community facilities to rural America.

Your recent Report highlights several challenges to delivering the BIP program. Namely, these include:

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

Mark L. Goldstein

3

1. Scheduling Challenges
2. Staffing Challenges
3. Data Challenges

I'd like to address the findings in your Report and highlight several areas that require clarification.

*Scheduling Challenges:* Rural Development concurs that the delivery of an estimated \$7 to \$9 billion in an 18-month timeframe is ambitious. The charts included in your Report highlight some of RUS' telecommunication programs but do not reflect the true scope of the Agency's telecommunication programs. For example, the Chart at Figures two and three reflect the budget authority for only half of RUS' telecommunication programs and does not adequately reflect the deliverable program levels. If this format were used for RUS' electric program, it would reflect no funds, yet, because of prudent loan underwriting, RUS delivered \$6.6 billion in electric loans in Fiscal Year (FY) 2009. In its telecommunication programs, RUS delivered almost \$2 billion in telecommunication loans and grants in FYs 2008 and 2009. The charts presented in your Report would only indicate that RUS delivered \$17 million. From 2001 to 2009, in fact, RUS approved 832 loans for \$7.9 billion and 1,203 grants for \$418 million, for a total of \$8.3 billion in telecommunications program levels. By focusing only on budget authority and not program levels, your draft does not portray an accurate depiction of the magnitude of our current programs.

*Staffing Challenges:* Rural Development agrees that staffing is critical to the success of this program. While we appreciate your Report's reference to staffing levels for certain RUS telecommunication programs, it does not provide a full picture of our existing staffing levels. RUS has 114 full-time staff dedicated solely to its telecommunications programs. Staff is trained in telecommunications, including broadband, and work collectively as a Team. Your Report highlights that RUS has no staff dedicated solely to our Community Connect program. This is because of our Team approach to program delivery. Experienced staff throughout the telecommunications programs reviewed over 280 applications for the Community Connect program totaling \$203 million in FY 2009. These applications were competing for \$13.5 million – an oversubscription rate of 15 to one. This is far greater than that experienced in the first round of BIP applications. In addition, your Report highlights our General Field Representatives (GFRs) who constitute our “boots on the ground” throughout rural America. Your Report indicates that only two of 30 are dedicated solely to our existing broadband program. All GFRs are part of the telecommunications Team and work across all telecommunication programs. Moreover, all will be actively involved in the BIP program. In addition, RUS is hiring 10 additional Recovery Act GFRs and 10 additional Recovery Act field accountants to assist with program delivery.

We were pleased that the Recovery Act recognized the salary and expense needs of Rural Development and authorized up to three percent of the appropriated funds could be used for these purposes. As pointed out in your Report, RUS is hiring approximately 47 additional temporary Recovery Act staff to assist with this project. In addition, RUS hired a contractor with

Committed to the future of rural communities.

\*USDA is an equal opportunity provider, employer and lender.  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

Mark L. Goldstein

4

extensive economic development experience to assist the Agency with the review of applications. RUS believes that these resources will be sufficient to deliver the BIP program.

*Data Challenges:* Rural Development agrees that there is a lack of data on broadband availability throughout the country. We were particularly pleased that the Recovery Act recognized this shortfall and fully funded a State Broadband Mapping program which will be of invaluable assistance in the future. In the interim, RUS will use existing State maps, Federal Communications Commission (FCC) data and other reliable information to determine the availability of broadband service. Rural Development also developed the mapping tool used by applicants to draw their proposed service territories. This same mapping tool will be used by the public and incumbent service providers to provide comments on whether proposed service territories may have broadband service. In addition, RUS will use GFRs and Rural Development Field staff as needed to ensure that proposed service territories meet the requirements of the statute and Notice of Funding Availability (NOFA).

On page 10 of the draft report, please clarify the comparison of budget information about the Broadband Recovery Act funding level and the ongoing Farm Bill Broadband Loan Program funding levels. The draft report compares the Recovery Act program level to the Farm Bill Broadband Loan Program budget authority. This is misleading as the Farm Bill program has consistently operated with a program level of \$300-\$400 million. Therefore, please make the following changes on page 10: (1) first sentence after "\$15 million" add, "in budget authority that supported an estimated program level of \$300-\$400 million," (2) in the graph change "15" to "300," and (3) under graph and in NOTE paragraph, after "\$500 million" add, "in budget authority" after "BIP will support a total" remove "principal amount of loans" and add "program level," and after "corresponding annual total" remove "principal amount for loans," and add "loan level."

In addition to responding to your Recommendation, Rural Development is pleased to provide more insight into how we will accomplish the task before us:

1. RUS brings 75 years of history making electric, telecommunication, water and environmental loan, grant and technical assistance to rural America. RUS manages a \$54 billion loan portfolio with a success rate envied by the private sector financial markets. The Department of Commerce's National Telecommunications and Information Administration (NTIA) brings years of experience as the President's chief advisor on telecommunication policy in America. Collectively, both RUS and NTIA have marshaled our resources to develop and publish the BIP and BTOP initiatives. The Agencies, together with guidance and collaboration with the White House and the FCC, are working together as a team to make the programs a success.
2. RUS has 114 full-time staff dedicated solely to the telecommunications program that work collectively as a Team. This Team administers RUS' existing telecommunication programs including:

- Farm Bill Broadband Loan Program

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

Mark L. Goldstein

5

- REAct Infrastructure Loan Program
- Distance Learning and Telemedicine Loan and Grant Program
- Community Connect Grant Program

3. RUS will hire approximately 47 additional temporary Recovery Act employees to assist with the BIP program. These challenging economic times have afforded RUS an opportunity to hire extremely well qualified applicants for these positions. This is a 40 percent increase in the telecommunications Team.

4. RUS is part of the Rural Development mission area. Rural Development, including RUS, has over 6,000 employees in Washington, D.C., and throughout rural America. This staff has extensive commercial loan experience and stands ready and able to assist the telecommunications Team with BIP as needed. The Secretary has made the success of all Recovery Act programs and BIP a top priority.

5. Rural Development has successfully obligated funds in all of its other Recovery Act programs. For example, in our homeownership programs, Rural Development has obligated almost \$10 of \$11 billion in funding assisting almost 80,000 families to become homeowners in rural America. In our Rural Business Enterprise Grant program, almost 80 percent of available funds have been obligated and nearly half of our Community Facility funds have been obligated.

6. Beyond the Rural Development mission area, the RUS Telecommunication Team is supported by the assistance of an experienced contractor – ICF International. ICF has extensive experience in working with economic development programs including other Rural Development programs, USDA's Farm Service Agency and the Department of Housing and Urban Development. ICF has assisted State governments with disaster recovery and has the ability to ramp-up staff resources to quickly deliver results. ICF was able to ramp-up staff immediately when the results of the first funding round were announced.

In response to your Recommendations for Executive Action, Rural Development offers the following:

1. To reduce the risk of awarding funds to projects that may not be sustainable or do not meet the priorities of the Recovery Act:
  - a. Combine the second and third planned funding rounds into one extended funding round to provide additional review time comparable with other broadband grant and loan programs and make better use of NTIA's broadband mapping data.

**Rural Development Response:** As indicated in your Report, both RUS and NTIA are already exploring the potential for combining the second and third funding rounds into one extended funding round. We believe this approach may provide both the Agencies and the public with additional time and ensure the program's success. In our continued efforts to seek input from the public, both RUS and NTIA plan to publish a Request for

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

Mark L. Goldstein

6

Information (RFI) in the Federal Register shortly to seek input into program delivery. We welcome comments from the public on this and other ways to enhance the effectiveness of the program.

- b. Delay the issuance of the second NOFA in order to provide time to analyze application and evaluation processes and apply lessons learned from the first funding round.

**Rural Development Response:** As indicated above, both RUS and NTIA plan to publish a RFI in the Federal Register shortly to seek input into program delivery. We welcome comments from the public on this and other ways to enhance the effectiveness of the program. Further, we believe that RUS' extensive experience with loan and grant programs combined with NTIA's extensive broadband policy experience provides a unique collaborative process to ensure success of the program.

2. To ensure that all funded projects receive sufficient oversight and technical support beyond September 30, 2010, and through their required completion dates, develop contingency plans to ensure sufficient resources for oversight of funded projects beyond FY 2010.

**Rural Development Response:** Rural Development fully agrees and is committed to ensuring not only that funds are obligated by September 30, 2010, but also that adequate oversight of projects will be available beyond FY 2010. We fully recognize that these additional loans and grants will expand the portfolio beyond the capacity of the existing telecommunications staff. We continue to work all channels, including the use of Rural Development Field staff to ensure that we continue to be good stewards of the taxpayer's resources. We are aware of the out-year needs to fund oversight activities that may exceed our current budget and are working to explore options so that we are able to properly oversee implementation.

3. To ensure that management has appropriate tools in place to evaluate the effectiveness of BTOP and BIP and to apply limited resources to achieve desired program outcomes, use information provided by program applicants in the first funding round to establish quantifiable, outcome based performance targets by which to measure program effectiveness.

**Rural Development Response:** Rural Development fully agrees and is committed to developing appropriate outcome-based performance targets for BIP. RUS staff is working with NTIA and staff from the Office of Management and Budget to develop such goals.

There is also a technical detail that needs correction and/or further explanation. On Page 26, paragraph one states: "However, RUS' existing audit requirements are different from the single audit requirements." This comment does not consider that RUS has compliance audits performed by RUS field accountants. Therefore it should state: "RUS' existing audit requirements are different from the single audit act requirements, but are supplemented with compliance audits performed by RUS field accountants." Adopting this change would also eliminate the need for footnote 38 in the GAO report.

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

---

**Appendix II: Comments from the Department  
of Agriculture**

---

Mark L. Goldstein

7

Thank you for this opportunity to comment on the report. If you have any questions, please contact John Purcell, Director, Financial Management Division, at (202) 692-0080.

Sincerely,



DALLAS TONSAGER  
Under Secretary

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

# Appendix III: Comments from the Department of Commerce



UNITED STATES DEPARTMENT OF COMMERCE  
The Secretary of Commerce  
Washington, D.C. 20230

November 4, 2009

Mr. Mark L. Goldstein  
Director, Physical Infrastructure Issues  
Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Goldstein:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) draft report, "Recovery Act: Agencies Are Addressing Broadband Program Challenges, but Actions Are Needed to Improve Implementation" (GAO-10-80).

As authorized by the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Commerce (Department)—through its National Telecommunications and Information Administration (NTIA)—administers the Broadband Technology Opportunities Program (BTOP) in order to accelerate broadband deployment in unserved and underserved areas of the United States, stimulate broadband demand and adoption, and enhance broadband capabilities for strategic institutions that provide important public benefits. The Department is working to ensure that funds from the Recovery Act are made available as quickly, effectively, and fairly as possible.

I appreciate the GAO's observations that NTIA faces several challenges in evaluating and awarding BTOP funds in the relatively short period required by the Recovery Act. Your report generally recommends modifying scheduling of certain BTOP activities, taking steps to ensure adequate oversight and support of projects, implementing program evaluation tools, and utilizing lessons learned to establish outcome-based performance targets and to ensure sufficient oversight of commercial grantees. As your report notes, NTIA has already taken a number of steps to reduce the risks you have identified, including adding additional review time for first round grants, recommending shifting from three funding rounds to two, procuring contractor support, and taking other steps to effectively evaluate, award, and monitor BTOP grants. In the coming weeks and months, NTIA will take all appropriate additional steps to apply lessons learned and address GAO's concerns. These steps will include utilizing experiences from the first round of funding to improve the program; working to establish quantitative, outcome-based performance measures; and implementing reasonable audit requirements for commercial grantees.

The Department of Commerce is committed to ensuring that BTOP grants enhance broadband capabilities in the United States, create jobs, and help lay a new foundation for growth in America. Thank you again for the opportunity to share the Department's comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Locke".

Gary Locke

---

# Appendix IV: GAO Contact and Staff Acknowledgments

---

## GAO Contact

Mark L. Goldstein, (202) 512-2834 or [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov)

---

## Staff Acknowledgments

In addition to the contact named above, Michael Clements, Assistant Director; Eli Albagli; Matt Barranca; Elizabeth Eisenstadt; Dean Gudicello; Tom James; Kim McGatlin; Sara Ann Moessbauer; Josh Ormond; and Mindi Weisenbloom made key contributions to this report.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to [www.gao.gov](http://www.gao.gov) and select "E-mail Updates."

---

## Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Ralph Dawn, Managing Director, [dawnr@gao.gov](mailto:dawnr@gao.gov), (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

