

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



***National Telecommunications and
Information Administration***

***Massachusetts Public Safety
Interoperable Communications Grant
2007-GS-H7-0036***

Audit Report No. OIG-11-003-A

October 25, 2010

FOR PUBLIC RELEASE

Office of Audit and Evaluation





UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

October 25, 2010

MEMORANDUM FOR: Lawrence E. Strickling
Assistant Secretary for Communications
and Information
National Telecommunications and
Information Administration

FROM: Ann C. Eilers 
Principal Assistant Inspector General for
Audit and Evaluation

SUBJECT: Final Audit Report No. OIG-11-003-A
Auditee: Massachusetts Executive Office of Public Safety &
Security
PSIC Award No. 2007-GS-H7-0036

Attached is a copy of our final audit report of the Massachusetts Public Safety Interoperable Communications (PSIC) award for your action in accordance with Department Administrative Order (DAO) 213-5, *Audit Resolution and Follow-up*. Our original audit report has been sent to the recipient, who has until November 22, 2010, to submit comments and supporting documentation to you. A copy of our final audit report will be posted on the Office of Inspector General's (OIG's) website pursuant to section 8L of the Inspector General Act of 1978, as amended.

Under DAO 213-5, you have 60 calendar days from the date of this memorandum to reach a decision on the actions you propose to take on each audit finding and recommendation and to submit an audit resolution proposal to this office. The format for the proposal is shown in Exhibit 8 of the DAO. As applicable, your written proposal must include the rationale and/or legal basis for reinstating any questioned costs in the report and should reference any supporting documentation you relied on. Your comments should also address the funds to be put to better use, if any, cited in the report. Under the DAO, OIG must concur with your proposal before it may be issued as a final determination and implemented. The DAO prescribes procedures for handling any disagreements this office may have with the audit resolution proposal. Also, please copy us when the audit determination letter is sent to the auditee.

Please direct any questions regarding this report to Jerry McMahan, Assistant Regional Inspector General for Audits, at (404) 730-2065 and refer to the final audit report number listed above in any related correspondence.

Attachment

cc: Milton Brown, NTIA Audit Liaison
Kathy Smith, NTIA Chief Counsel
Laura Pettus, PSIC Program Manager
Daniel Meyerson, JD, NTIA Deputy Program Manager



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

October 25, 2010

Ms. Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
FEMA
500 C Street, SW
Washington, DC 20472-3635

Dear Ms. Harman:

Enclosed is a copy our final audit report (OIG-11-003-A) regarding Public Safety Interoperable Communications (PSIC) grant awarded to the Massachusetts Executive Office of Public Safety and Security (award number 2007-GS-H7-0036) by the National Telecommunications and Information Administration.

Our original audit report has been sent to the recipient, who has until November 22, 2010, to submit comments and supporting documentation to the Department of Commerce. NTIA will conduct the audit resolution and follow-up in accordance with Department Administrative Order 213-5. A copy of the report will be posted on the Department of Commerce Office of Inspector General website pursuant to section 8L of the Inspector General Act of 1978, as amended.

If you have any questions regarding this report, please call Jerry McMahan, Assistant Regional Inspector General for Audits, at (404) 730-2065, and refer to the final audit report number above in any related correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann C. Eilers".

Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation

Enclosure

cc: Richard L. Skinner, DHS Inspector General
David Turner, DHS/FEMA Grant Programs Directorate
Bradley A. Shefka, DHS Audit Liaison
Penny McCormack, FEMA Audit Liaison
Gina Norton, FEMA Audit Liaison
Mildred Lloyd, DHS/FEMA Grant Programs Directorate Audit Liaison
Mike Sivi, DHS OIG Grants Management



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

October 25, 2010

Ms. Victoria Grafflin, Director
Homeland Security Division
Office of Grants and Research
Executive Office of Public Safety & Security
Ten Park Plaza, Suite 3720
Boston, MA 02116

Dear Ms. Grafflin:

Enclosed is a copy of the final audit report number OIG-11-003-A concerning the Public Safety Interoperable Communications (PSIC) grant your agency received from the National Telecommunications and Information Administration (award number 2007-GS-H7-0036).

This letter is notice of your opportunity to review the report and develop a complete response that addresses each audit finding and recommendation. If you believe the report is incorrect, or if you disagree with any findings or recommendations, it is important that you explain the error or your reasons for disagreement and either submit evidence to the Department supporting your contentions or reference any such evidence submitted previously. You also should explain how each documentary submission supports your position; otherwise, we may be unable to assess the information.

Your response must be postmarked no later than November 22, 2010. There will be no extensions to this deadline, and you will have no other opportunity to submit comments, arguments, or documentation before the Department makes a decision on the audit findings and recommendations. The Department will consider your complete response in determining what action to take with respect to our audit. Enclosure 1 explains administrative dispute procedures available to you.

As you prepare your response, if you have any questions about this report or the process by which the Department reaches a final decision, please call Jerry McMahan, Assistant Regional Inspector General for Audits, at (404) 730-2065 and refer to final audit report number OIG-11-003-A.

Please send your response (including documentary evidence) to

Lawrence E. Strickling
Assistant Secretary for Communications and Information
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Please send a copy of your response letter only to

Ms. Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472-3635

Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation
U.S. Department of Commerce
1401 Constitution Avenue, N.W., Room 7886B
Washington, D.C. 20230

Jerry McMahan, Assistant Regional Inspector General for Audits
United States Department of Commerce
Office of Inspector General
401 W. Peachtree Street, N.W., Suite 2742
Atlanta, GA 30308

After evaluation of your response, the audit action official may provide you with further guidance or request clarification. Our final report, along with your response, will be posted on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ann C. Eilers", is written over a horizontal line.

Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation

Enclosures

cc (w/o encl.): Laura M. Pettus, NTIA PSIC Program Manager
David Turner, DHS/FEMA Grant Programs Directorate

NOTICE TO AUDITEES
Financial Assistance Audits

1. Audit requirements applicable to a particular financial assistance award may be established by law, regulation, policy, or the terms of the recipient's financial assistance agreement with the Department of Commerce.
2. Audit results will be reported to the bureau or office administering the financial assistance award and to you (the recipient/auditee), unless the Department's inspector general determines it is in the government's interest to withhold the audit report.
3. Audit results may lead to adverse consequences for you, including the following actions (which are subject to applicable laws and regulations):
 - o suspension and/or termination of current awards;
 - o referral of identified problems to other federal funding agencies and entities as deemed necessary for remedial action;
 - o denial of eligibility for future awards;
 - o cancellation of authorization for advance payment and substitution of reimbursement by check;
 - o establishment of special conditions in current or future awards; and,
 - o disallowance of costs, which could result in a reduction in the amount of federal payments, withholding of payments, offset of amounts due the government against amounts due you, or establishment of a debt and appropriate debt collection follow-up (including referrals to collection agencies).

Because of these and other possible consequences, it is important that you take your responsibility to respond to audit findings seriously by providing explanations and evidence to support your position with respect to the disputed results.

4. You have the following opportunities to point out errors (of fact or law) that you believe were made in the audit, to explain other disagreements with audit findings and recommendations, to present evidence that supports your positions, and to dispute final determinations:
- o At any time during the audit, you may bring to the attention of the auditors evidence you believe affects the auditors' work.
 - o At the completion of the audit on-site, as a matter of courtesy, you will usually be given the opportunity to discuss (during an exit conference) the preliminary audit findings and to present a clear statement of your position on the significant preliminary findings, including possible cost disallowances.
 - o When the draft audit report is issued, you will have the opportunity to comment and to submit evidence during the 30 days after we transmit the report to you. (We will not extend this deadline.)
 - o When the final audit report is issued, you will have the opportunity to comment and to present evidence during the 30 days after we transmit the report to you. (We will not extend this deadline.)
 - o When the Department issues its decision (the "Audit Resolution Determination") on the audit report's findings and recommendations, you have the right to appeal for reconsideration within 30 calendar days after receiving the Determination Letter if monies are due the government. (We will not extend this deadline.) The Determination Letter will explain the specific appeal procedures.
 - o Once you file an appeal or the appeal period has expired, the Department will not accept any further submissions concerning your dispute of its decisions. If it is determined that you owe money or property to the Department, the Department will take appropriate collection action but will not thereafter reconsider the merits of the debt.

There are no other administrative appeals available in the Department.

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INTRODUCTION

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a Public Safety Interoperable Communications (PSIC) grant to the Commonwealth of Massachusetts to enhance interoperable emergency communications. The grant provided federal funding of \$21,191,988, of which \$14,306,260 required nonfederal matching contributions. Federal funds provided for acquisition and deployment of communications equipment, and management and administration (M&A) costs, must be matched by nonfederal contributions of at least 20 percent of the total cost of those activities. Statewide planning, planning and coordination, and training costs do not require matching share. The \$14,306,260 provided for acquisition, deployment, and M&A represents 80 percent of the total cost of those activities, leaving a minimum nonfederal matching share requirement of \$3,576,565.

The award period runs from October 1, 2007, to September 30, 2011. On November 6, 2009, the President signed Public Law 111-96, which extended the PSIC program beyond its original expiration date of September 30, 2010. The new law extended the performance period of all PSIC grants through September 30, 2011, and allowed for additional extensions, through September 2012, on a case-by-case basis, if approved by the Assistant Secretary for Communications and Information.

The Governor of Massachusetts designated the Massachusetts Executive Office of Public Safety and Security (EOPSS) as Massachusetts's state administrative agency to apply for and administer PSIC funds¹. EOPSS prepared an investment justification, as instructed in NTIA's *PSIC Program Guidance and Application Kit*, describing how the grant funds would be used to improve interoperable communications and ensure interoperability with other public safety agencies. The investment justification described 10 individual investments (table 1) that would achieve meaningful and measurable improvements in interoperability and fill gaps in the statewide communications interoperability plan. NTIA approved the investment justification on April 4, 2008.

Public Safety Interoperable Communications Program

The Digital Television Transition and Public Safety Act of 2005 authorized NTIA, in consultation with the Department of Homeland Security (DHS), to implement the PSIC program—a \$1 billion, one-time, formula-based matching grant program intended to enable public safety agencies to establish interoperable emergency communications systems using reallocated radio spectrum.

NTIA signed a memorandum of understanding with DHS, under which DHS oversees and administers the PSIC program.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct financial audits, over 4 years, of a representative sample of at least 25 states or territories receiving PSIC grants.

¹ The PSIC program requires the governor of each state or territory to designate a state administrative agency to apply for and administer PSIC funds. Administrative agencies are required to pass through no less than 80 percent of the total award amount to local or tribal governments or authorized nongovernmental public safety agencies, unless the local entity opts, via written agreement, to have the state agency retain and spend the funds on its behalf.

Table 1. Investment Justification and Funding

PSIC Investment Justification	PSIC Funds Awarded	Nonfederal Match ²	Total
1. Governance and Funding	\$1,640,000		\$1,640,000
2. Information Enterprise Implementation	1,200,000		1,200,000
3. Command Consolidation	270,000		270,000
4. Statewide Interoperability Backbone	7,275,000		7,275,000
5. Channel Definition and Command Channel	2,225,000		2,225,000
6. Statewide 700/800 MHz Network	1,000,000		1,000,000
7. Continuity of Government Communications	5,000,000		5,000,000
8. Protocol Initiative	250,000		250,000
9. Innovation Initiative	53,946		53,946
10. Strategic Technology Reserve	1,641,000		1,641,000
Management and Administration	635,760	158,940	794,700
Statewide Plan	1,282		1,282
Nonfederal Match		3,417,625	3,417,625
Total	\$21,191,988	\$3,576,565	\$24,768,553

Source: EOPSS investment justification

States were required to include a prescribed strategic technology reserve in their investment justifications. The strategic reserve is designed to pre-position, or secure in advance, interoperable communications equipment for immediate deployment in an emergency situation or major disaster. Massachusetts' prescribed strategic reserve amount was \$1,641,000 and was included as investment 10.

² NTIA approved EOPSS' budget and scope modification request to provide a 20 percent nonfederal match at the total grant level, rather than budgeting for matching share at the individual investment level.

FINDINGS AND RECOMMENDATIONS

In July 2009, we initiated an audit of costs claimed by EOPSS to determine whether it had complied with PSIC grant guidelines and DHS award terms and conditions. The audit covered the award period of October 1, 2007, through June 30, 2009, during which time EOPSS claimed total costs of \$313,943. As stated in appendix A, the objective of our audit was to determine whether EOPSS was using its grant funds in accordance with federal requirements. In particular, we assessed whether EOPSS (1) is on track to complete its interoperable communications investments by September 30, 2011; (2) met the minimum 20 percent match for acquiring and deploying interoperable communications equipment, and for M&A costs; (3) claimed reasonable, allowable, and allocable costs under the award; and (4) complied with grant terms and conditions. The following sections detail our findings with respect to each audit objective.

I. Investments Appear to Be on Schedule for Completion Before End of Grant

EOPSS plans to complete the 10 investments funded by the PSIC grant by the grant completion date of September 30, 2011. Although legislation extended the grant through September 2011, EOPSS advised us at the time of our draft audit report that it had chosen not to extend its time line for project completion beyond the date originally contained in its investment justification. On May 5, 2010, NTIA approved EOPSS' budget and scope modification request to reprogram \$3,775,000 originally budgeted for acquisition and deployment activities under investment 5 to a similar purpose under investment 7, and leaving projected completion dates unchanged.

Our audit found nothing to indicate that any of the investments would not be completed before the end of the grant.

II. EOPSS Provided Matching Share Details

The Digital Television Transition and Public Safety Act of 2005, Public Law 109-171, Section 3006; the *PSIC Program Guidance and Application Kit*; and the special award conditions require a minimum 20 percent matching share be contributed from nonfederal sources for those portions of the grant project not identified as planning and coordination or training. EOPSS officials claimed that the nonfederal matching share for the PSIC grant is in place, in the form of spending on expansion of the Massachusetts State Police emergency communication system, funded by a state bond appropriation. In its May 2010 budget and scope modification, EOPSS received approval to provide a 20 percent nonfederal match at the total investment justification level, rather than providing specific matching shares for each individual investment.

Our draft audit report expressed concerns about EOPSS' tracking and reporting of nonfederal matching share contributions. Specifically, we reported that EOPSS claimed that \$3.3 million in matching share expenses had been incurred through June 30, 2008, and an additional \$3.7 million was encumbered for costs incurred through June 30, 2009. However, we could not verify that the \$7 million of nonfederal expenditures involved allowable costs incurred under the PSIC grant. The matching share contributions relate to communications system expansion by the Massachusetts State Police, but neither EOPSS nor State Police officials were able to identify which expenditures represented the PSIC matching share contributions. Absent documentation to

support allowability of EOPSS' proposed nonfederal matching share, our draft audit report recommended that EOPSS return \$23,047 in excess federal reimbursements we computed as of June 30, 2009.

In its response to the draft audit report, EOPSS provided details of \$3.7 million in specific State Police communications expansion costs that will be claimed as PSIC matching share contributions. We contacted NTIA's PSIC Deputy Program Manager, who reviewed the proposed State Police expenditures and advised that they appear to be within the scope of the PSIC grant. Although less than the \$7 million proposed match EOPSS contemplated prior to our draft audit report, the State Police match, coupled with an additional \$600,000 in proposed nonfederal contributions, would be sufficient to meet the minimum matching share requirement of the PSIC grant.

Based on EOPSS' submission of additional matching share details and the PSIC Deputy Program Manager's statement that the costs appear to be within the scope of the grant, we have withdrawn our draft audit report finding that EOPSS received excess federal reimbursements and the associated recommendation to return \$23,047 to the federal government. EOPSS' response, excluding attachments, is included in appendix D.

III. EOPSS Cost Tracking System is Acceptable

Our draft report expressed concerns about EOPSS' cost tracking at the individual investment level. Specifically, we reported that since EOPSS did not account for and track expenditures at the individual investment level, we were not able to verify the application of funds on each investment. In addition, we reported that EOPSS did not compare its actual expenditure outlays with budgeted amounts for each investment.

In its response to the draft audit report, EOPSS provided a spreadsheet detailing actual and budgeted expenditures by investment and subrecipient. EOPSS explained that the commonwealth's accounting system, the Massachusetts Management, Accounting, and Reporting System (MMARS), does not allow obligations or expenditures in excess of the approved award amount. Also, EOPSS responded that it reconciles award expenditures on a weekly basis through MMARS.

Based on EOPSS' submission of a documented expenditure tracking system and explanation of its expenditure monitoring activities, we have withdrawn our draft audit report finding that EOPSS was not adequately tracking PSIC project costs and budget performance, as well as the associated recommendation to provide evidence of its cost and budget tracking systems to the federal government.

IV. EOPSS Generally Complied with Other PSIC Requirements

We found EOPSS was generally in compliance with PSIC grant requirements. Specifically, we noted EOPSS (1) submitted six of seven³ periodic financial status reports on time, (2) did not retain advances of federal funds for more than the 30 days permitted under PSIC policy, and (3) received written agreements to expend PSIC funds on behalf of the local public safety agencies represented by the commonwealth's four regional homeland security advisory councils and the Boston Area Security Initiative.

V. Follow-Up on Prior Audit Recommendations

As part of our audit, we reviewed the results of the commonwealth's OMB Circular No. A-133 audit for the year ended June 30, 2008. The audit report did not contain findings related to administration of the PSIC grant.

³ The one report submitted late was only 9 days past its deadline.

SUMMARY RESULTS OF FINANCIAL AUDIT

The results of our interim cost audit for the period October 1, 2007, through June 30, 2009, (detailed in appendix C) are summarized as follows:

Costs Claimed		\$313,943
Less: Questioned Costs		<u>77(a)</u>
Costs Accepted		\$313,866
Accepted Costs Not Subject to Match		\$198,631
Accepted Costs Subject to Match	\$115,235	
Federal Share Ratio	<u>x 80%</u>	<u>92,188</u>
Federal Funds Earned		290,819
Federal Funds Disbursed		<u>313,943</u>
Excess Disbursements		<u>\$23,124(b)</u>

Notes:

- (a) EOPSS claimed unallowable supply costs. This amount should be deducted from a future cost claim.
- (b) Although EOPSS' cost claims through June 30, 2009, did not include nonfederal matching share contributions, EOPSS provided documentation in its response to the draft audit report that illustrates its plan to provide adequate matching share contributions during the grant period. The recommendation to return excess disbursements of \$23,047 has been removed, as discussed in section II of this report.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the Massachusetts Executive Office of Public Safety and Security (EOPSS) was using its grant funds in accordance with federal requirements. In particular, we assessed whether EOPSS (1) is on track to complete its interoperable communications investments by September 30, 2011; (2) met the minimum 20 percent match for acquiring and deploying interoperable communications equipment, and for M&A costs; (3) claimed reasonable and allowable costs under the award; and (4) complied with grant terms and conditions.

The audit scope included a review of costs claimed during the award period of October 1, 2007, through June 30, 2009. We conducted our fieldwork in July 2009, at EOPSS' office in Boston, Massachusetts, and at the Massachusetts Emergency Management Agency, Massachusetts State Police headquarters, and the Offices of the United Way of Tri-County, all located in Framingham, Massachusetts.

To meet our objectives, we did the following:

- reviewed investment documentation and discussed each investment with agency officials;
- analyzed source documents related to the minimum 20 percent match for acquiring and deploying interoperable communications equipment and for M&A of the grant;
- traced costs claimed to source documentation;
- interviewed EOPSS officials and reviewed the commonwealth's OMB Circular A-133 audit report for the year ending June 30, 2008; and
- reviewed pertinent laws, regulations, and guidance (listed below) against EOPSS' PSIC activities and internal controls.

We evaluated EOPSS' compliance with federal laws and regulations applicable to the PSIC grant, including the following:

- Section 3006 of the Digital Television Transition and Public Safety Act of 2005, Public Law 109-171
- Call Home Act of 2006, Public Law 109-459
- Implementing Recommendations of the 9/11 Commission Act of 2007, Public Law 110-53
- Public Safety Interoperable Communications Grants, Public Law 111-96
- 15 Code of Federal Regulations, Part 24, Uniform Administrative Requirements for Grants and Agreements to State and Local Governments
- *PSIC Program Guidance and Application Kit*, August 16, 2007
- National Preparedness Directorate Information Bulletin #268

- NTIA PSIC Grant Program Allowable Cost Matrix
- NTIA PSIC Grant Program Frequently Asked Questions
- OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*
- OMB Circular A-133, Compliance Supplement, CFDA 11.555
- Special Award Conditions
- Department of Commerce *Financial Assistance Standard Terms and Conditions*
- DHS, Office of Grant Operations, *Financial Management Guide*

We verified the validity and reliability of the computer-processed data supplied by EOPSS by the direct testing of data against supporting documentation. Based on our tests, we concluded the computerized data were reliable for use in meeting our objectives.

We analyzed nonstatistical samples of EOPSS, the Massachusetts State Police, and subrecipient transactions, generally focusing on the highest dollar value transactions and line items. Since we did not attempt to extrapolate findings from sample analyses to all transactions, we believe our sampling methodology represented a reasonable basis for the conclusions and recommendations included in our report.

We obtained an understanding of the management controls of EOPSS by interviewing EOPSS officials, as well as examining policies and procedures, EOPSS' most recent single audit report, and written assertions from EOPSS officials. Our report contains recommendations to address EOPSS' reporting of matching share and tracking project costs on each investment.

We conducted this performance audit 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.

We performed this audit under the authority of Implementing Recommendations of the 9/11 Commission Act of 2007; the Inspector General Act of 1978, as amended; and Department Organization Order 10-13, August 31, 2006.

APPENDIX B: SUMMARY OF SOURCE AND APPLICATION OF FUNDS

**THE MASSACHUSETTS EXECUTIVE OFFICE
OF PUBLIC SAFETY AND SECURITY
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NO. 2007-GS-H7-0036
OCTOBER 1, 2007, THROUGH JUNE 30, 2009**

	Approved <u>Budget</u> (a)	Receipts & <u>Expenses</u> (b)
<u>SOURCE OF FUNDS:</u>		
Federal	\$21,191,988	\$313,943
Nonfederal	<u>3,576,565</u>	<u>0</u>
Total	<u>\$24,768,553</u>	<u>\$313,943</u>
<u>APPLICATION OF FUNDS:</u>		
Investment 1	\$ 1,640,000	\$ 0
Investment 2	1,200,000	0
Investment 3	270,000	0
Investment 4	7,275,000	0
Investment 5	2,225,000	0
Investment 6	1,000,000	0
Investment 7	5,000,000	0
Investment 8	250,000	0
Investment 9	53,946	0
Investment 10	1,641,000	0
Statewide Planning	1,282	0
M&A Costs	794,700(c)	110,902
Unspecified	0	203,041(d)
Nonfederal Match	<u>3,417,625(e)</u>	<u>0(f)</u>
Total	<u>\$24,768,553</u>	<u>\$313,943</u>

Notes:

- (a) The approved budgeted costs are for the period of October 1, 2007, through September 30, 2011, based on the approved investment justification.
- (b) The receipts and expenses are for the period of October 1, 2007, through June 30, 2009.
- (c) M&A costs include \$635,760 of federal funds and \$158,940 of nonfederal match.
- (d) Costs were not tracked and recorded by investment.
- (e) In the modification, EOPSS is approved to provide a 20 percent nonfederal match at the total investment justification level rather than on each individual investment level.
- (f) EOPSS did not track and report nonfederal matching share.

APPENDIX C: SUMMARY OF FINANCIAL/COMPLIANCE AUDIT

**THE MASSACHUSETTS EXECUTIVE OFFICE
OF PUBLIC SAFETY AND SECURITY
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NO. 2007-GS-H7-0036
OCTOBER 1, 2007, THROUGH JUNE 30, 2009**

<u>Description</u>	<u>Approved Budget</u> (a)	<u>Costs Claimed</u>	<u>Results of Audit</u>	
			<u>Costs Questioned</u>	<u>Costs Accepted</u>
Investment 1	\$ 1,640,000	\$ 0	\$ 0	\$ 0
Investment 2	1,200,000	0	0	0
Investment 3	270,000	0	0	0
Investment 4	7,275,000	0	0	0
Investment 5	2,225,000	0	0	0
Investment 6	1,000,000	0	0	0
Investment 7	5,000,000	0	0	0
Investment 8	250,000	0	0	0
Investment 9	53,946	0	0	0
Investment 10	1,641,000	0	0	0
Statewide Planning	1,282	0	0	0
M&A Costs	794,700 (b)	110,902	0	110,902
Unspecified	0	203,041	77 (c)	202,964
Nonfederal Match	<u>3,417,625</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$24,768,553</u>	<u>\$313,943</u>	<u>\$77</u>	<u>\$313,866</u>
Costs Claimed			\$313,943	
Less: Questioned Costs			<u>77</u>	
Costs Accepted			\$313,866	
Accepted Costs Not Subject to Match			\$198,631	
Accepted Costs Subject to Match		\$115,235		
Federal Share Ratio		<u>x 80%</u>	<u>92,188</u>	
Federal Funds Earned			290,819	
Federal Funds Disbursed			<u>313,943</u>	
Excess Disbursements			<u>\$23,124(d)</u>	

Notes:

- (a) The approved budgeted costs are for the period of October 1, 2007, through September 30, 2011, based on the approved investment justification. EOPSS will provide a 20 percent nonfederal match at the total investment level, rather than on each individual investment.
- (b) M&A costs include \$635,760 of federal funds and \$158,940 of non-federal match.
- (c) EOPSS claimed unallowable supply costs. This amount should be deducted from a future cost claim.

- (d) The recommendation to return excess disbursements of \$23,047 has been removed, as discussed in section II of this report.

APPENDIX D: RECIPIENT RESPONSE



**The Commonwealth of Massachusetts
Executive Office of Public Safety and Security**

Office of Grants & Research
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Deval L. Patrick
Governor

Timothy P. Murray
Lieutenant Governor

Mary Elizabeth Heffernan
Secretary

Ellen J. Frank
Executive Director

September 23, 2010

Mr. Jerry McMahan
Assistant Regional Inspector General for Audits
United States Dept. of Commerce
Office of Inspector General
401 W. Peachtree Street NW, Suite 2742
Atlanta, GA 30308

Dear Mr. McMahan:

This letter is the Executive Office of Public Safety & Security's response to the draft PSIC grant audit report DEN-19727 received by our office on August 26, 2010. We disagree with the conclusions drawn by the Dept. of Commerce Inspector General's Office in findings II and III. Below is a detailed description of why we feel that these findings are not accurate.

Finding II. EOPSS was not able to track and report matching share.

EOPSS Response:

EOPSS provided a detailed accounting to the Department of Commerce Office of Inspector General auditors of actual match expenditures totaling \$3.6 million dollars matched to both specific investments and projects including location and the date of the expenditure of the state bond funds used for the match. Moreover, according to National Preparedness Directorate Information Bulletin # 268 entitled, *PSIC Grant Program Revised and Supplementary PSIC Information*, issued on October 19, 2007, "States and Territories no longer have to provide match on a project-by-project level; match can either be identified and allocated at the total IJ level or per individual investment." It is our position that the Commonwealth of Massachusetts has met and documented its match obligation for the PSIC grant and does not need to reimburse the Dept of Commerce for \$23,047.

Finding III. Cost Tracking did not Comply with Grant Terms and Conditions

EOPSS Response:

EOPSS has several different means for tracking grant allocations and expenditures. EOPSS shared these with the Department of Commerce Office of Inspector General Auditors and explained how they work. In addition to the enclosed project tracking spreadsheet, (titled "PSIC Summary updated 7/14/10) that details the sub-recipient of funds, the amount of funds awarded by project and how much of each investment that award represents, EOPSS reconciles award expenditures on a weekly basis through the state accounting system, MMARS. Once a sub-grant award is entered into MMARS, the system will not allow obligations or expenditures beyond the award amount. EOPSS covered this with the auditors during their visit in July 2009. At any time, the fiscal division within EOPSS' Office of Grants and Research (OGR) can query the system for a detailed list of transactions under any award to a sub-recipient. Additionally, the Homeland Security Division of OGR maintains a separate running tally in the form of a spreadsheet entitled, "the Budget Track" of expenditures made by all sub-recipients of a grant. EOPSS asserts that these tracking mechanisms meet the requirements of CFR §24.2 (b)(2) cited in the audit report. As the enclosed PSIC Summary spreadsheet demonstrates, the source and application of funds are clearly identified, as are the amounts of awards to sub-recipients. The project tracker -- found as a tab in the PSIC Summary spreadsheet -- documents unobligated balances while the MMARS general ledger documents specific transactions and reimbursement requests by sub-recipients as required.

Finally, this finding also cites a requirement to track match share at the project level that is no longer in effect per IB # 268 referenced previously. NTIAA approved the Commonwealth's revised PSIC grant allocations in May 2010, including the match allocations.

Thank you for providing us with this opportunity to respond to the draft audit report.

Sincerely,



Victoria Grafflin,
Director, Homeland Security Division, Office of Grants & Research,
Executive Office of Public Safety & Security

Cc: Paul Connelly
Ellen Frank
John Proctor